Gouvernement
du Québec

1983-84
BUDGET

Additional Information

Gouvernement du Québec
Ministère
des Finances

ISBN 2-551-05456-7

Legal Deposit, 2nd quarter, 1983
Bibliothèque nationale du Québec

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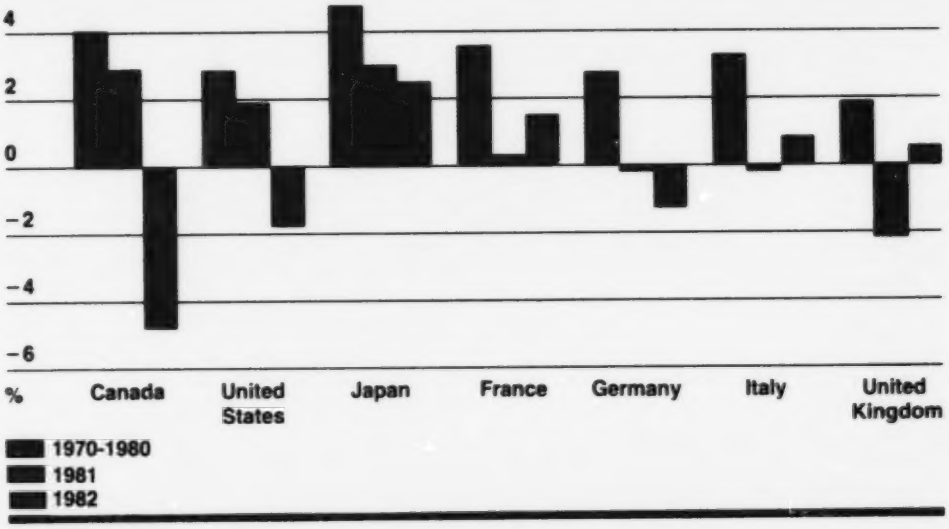
1. THE INTERNATIONAL SITUATION

Once again in 1982, the international economic situation was characterized by the application of restrictive budgetary and monetary policies by all the OECD countries. While these policies brought about a drop in inflation rates, they also were at the source of sizable increases in unemployment in all countries.

GROSS NATIONAL PRODUCT* OF VARIOUS OECD COUNTRIES
(annual percentage change)



* Constant dollars.

Sources: OECD Economic Outlook, December 1982.
National Income and Expenditure Accounts, S.C., 13-001.
Data Resources Inc., Review of the U.S. Economy, March 1983.

PRODUCTION VOLUME GROWTH[1]
IN OECD COUNTRIES
1982
(percentage change)

	Actual Data	OECD Estimates
Canada	−4,8	
United States	−1,8	
Japan		2,5
Germany		−1,2
France		1,5
United Kingdom		0,5
Italy		0,7
Austria		0,5
Belgium		−0,5
Denmark		1,7
Finland		0,5
Greece		0,5
Iceland		−3,5
Ireland		1,2
Luxemburg		−0,2
Netherlands		−1,2
Norway		0,0
Portugal		2,0
Spain		1,2
Sweden		0,5
Switzerland		−2,0
Turkey		4,0
Australia		0,7
New Zealand		−0,5

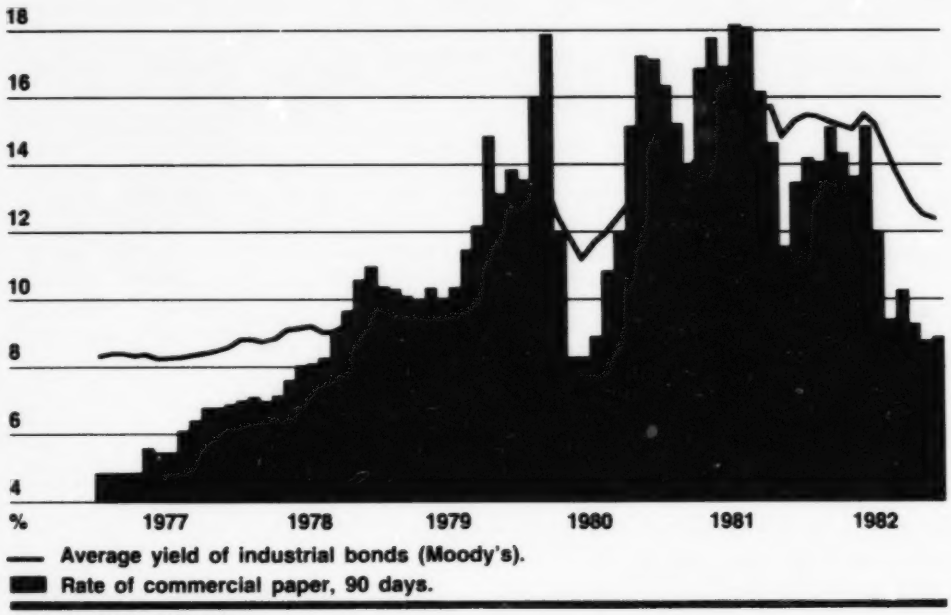
1 Gross domestic product in 1981 dollars for all countries, excluding Canada, the United States, Japan, Germany and Iceland where production is evaluated on the basis of the gross national product.

Sources: OECD Economic Outlook, December 1982.
National Income and Expenditure Accounts, S.C., 13-001.
Data Resources Inc., Review of the U.S. Economy, March 1983.

Over the year, however, the orientation of monetary policies was readjusted. While the U.S. Federal Reserve did not renounce its prime objective — reduction of inflation — in mid-1982 there was a change in the application of this policy. The important gains already realized in combatting inflation, and the possibility of bringing on an even more serious recession combined with tensions in the international financial system, were all factors which led to a certain relaxation in U.S. monetary policy, resulting in a marked drop in U.S. interest rates during the second half of the year.

The results of this decision were reflected on the one hand in an increase in monetary aggregates to near or above the upper limits fixed by the Federal Reserve and, on the other hand, in major drops in interest rates, including seven consecutive drops in the U.S. discount rate between July and December 1982. This relaxation of monetary policy constraints was taken up by the OECD countries where the exchange rate situation allowed it.

SHORT AND LONG-TERM INTEREST RATES — UNITED STATES

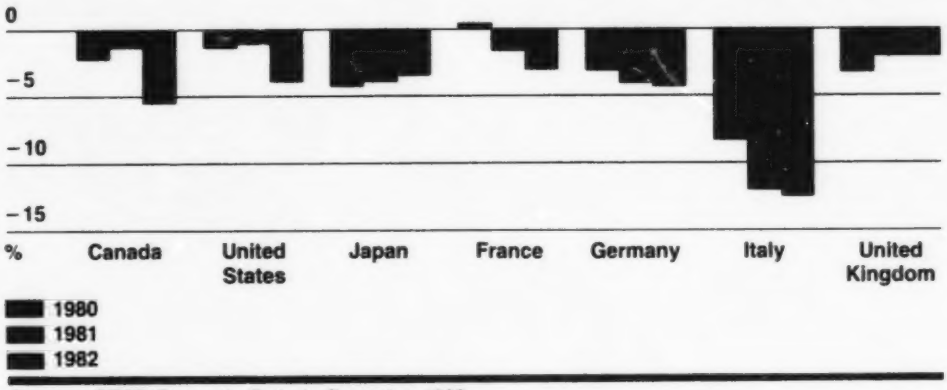


Sources: Bank of Canada.
Ministère des Finances du Québec.

Overall, the major countries of the OECD did not change their budgetary policies in relation to those of the previous year. Still, the medium-term objectives of deficit reduction were offset by the unexpected depth of the recession. The automatic stabilizers, which brought about drops in income and increases in expenditure, resulted in a considerable rise in the governments' budgetary deficits. In Canada, the ratio of the deficit to the gross national product increased by 4.1 percentage points, from 1.2% in 1981 to 5.3% in 1982, whereas it rose by 2.7 points in the U.S. and 1.3 points in France. If the other countries performed better, this was only by reason of highly restrictive budgetary policies.

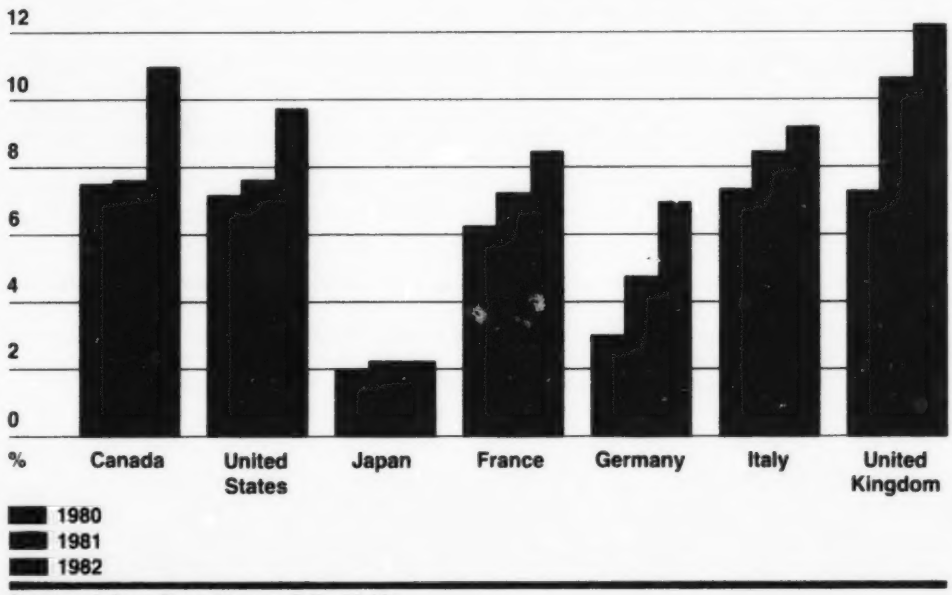
As a result of these policies, the production of the seven main OECD countries dropped by 0.5% in 1982, as compared to an increase of 1.3% in 1981. This slowdown in economic activity brought about a reduction of international trade within the OECD, and between these countries and the rest of the world. Overall, the current account balance of the OECD countries deteriorated slightly in 1982 because of the distinct reversal in the U.S. balance of trade.

FINANCIAL BALANCE OF PUBLIC ADMINISTRATIONS
(in percentage of gross national product)



Sources: OECD Economic Outlook, December 1982.
National Income and Expenditure Accounts, S.C. 13-001.

UNEMPLOYMENT RATE OF VARIOUS OECD COUNTRIES
(level in percentage)



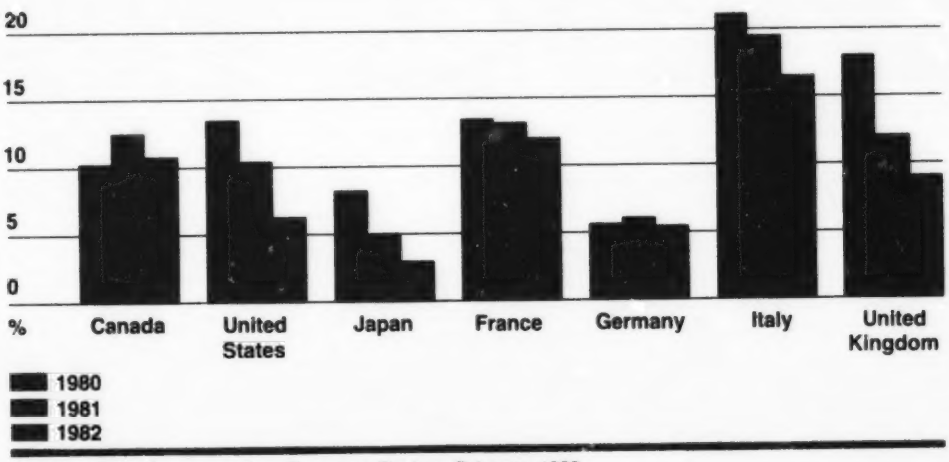
Sources: Labour Force Survey, S.C., 70-001.
OECD Economic Outlook, December 1982.
Data Resources Inc., Review of the U.S. Economy, March 1983.

Among the major industrialized countries, Canada, with a drop in production of 4.8%, was the country most affected by the recession. National production also regressed by 1.8% in the U.S. and 1.3% in Germany. On the other hand, economic activity picked up in Japan, France, Italy and the U.K.. This weakness in production in a number of countries resulted in unprecedented unemployment rates in all the main OECD countries. The rise in unemployment was highest in Canada, where the rate rose from 7.6% in 1981 to 11.0% in 1982. Unemployment also rose significantly in a number of other countries, such as Germany, the U.S., the United Kingdom and France.

In most countries, inflation slowed down more rapidly in 1982 than in 1981, thereby consolidating the gains of the previous year. Because of the extent and duration of the recession, extensive drops were recorded in the prices of basic products and of oil, whereas an abundant harvest made it possible once again to restrict the growth of food prices. Furthermore, increased unemployment in all countries contributed to a marked slowdown in wage earnings. The rate of growth of the Consumer Price Index dropped by 4.1 points in the U.S., from 10.3% in 1981 to 6.2% in 1982. It declined by 3.3 points (11.9% to 8.6%) in the United Kingdom, and by 3.2 points in Italy (from 19.5% to 16.3%). In Canada, price increases reached 10.8% in 1982 as compared to a rate of 12.5% the previous year.

Although none of the OECD countries was spared by the recession, it struck the developing countries even harder, since in those countries it was accompanied by a serious liquidity crisis which shook the international financial system. According to the OECD, the total of the developing countries' outstanding foreign debt reached $626 billion at the end of 1982, almost half of it in short-term instruments.

CONSUMER PRICE INDEX OF VARIOUS OECD COUNTRIES
(annual percentage change)

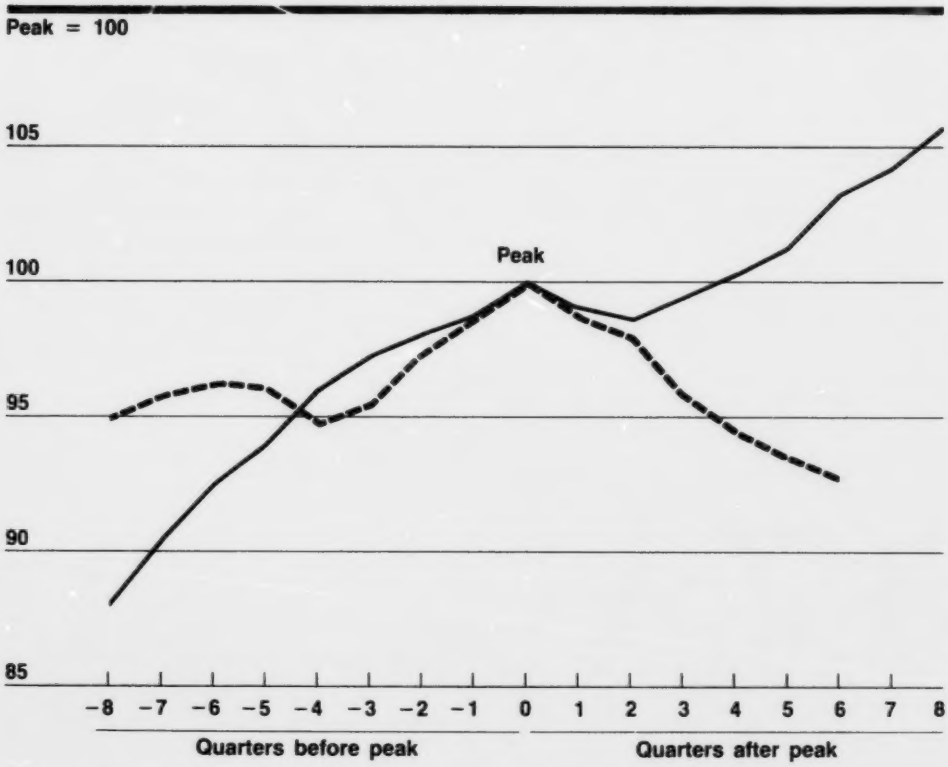


Sources: Data Resources Inc., European Review, February 1983.
Data Resources Inc., Japanese Review, February 1983.
Data Resources Inc., Review of the U.S. Economy, March 1983.
Consumer Price Index, S.C., 62-001.

2. THE CANADIAN SITUATION

The recession which started in 1981 has been more severe in Canada than in the rest of the world. A drop in foreign demand, a very high level of interest rates, and a marked increase in prices caused mainly by escalating domestic oil prices have combined to cause the most serious slide in the Canadian economy since the Depression of the 1930s. The volume of production dropped for six consecutive quarters, falling by 7.6% from the last cyclical peak. The decline in employment reached 5%. Total jobs lost

BUSINESS CYCLES IN CANADA



—— Index representing the average performance of the gross national product in constant dollars. This index is calculated taking the arithmetic mean of the values of the real GNP first converted into index number with value 100 for each of the cyclical peaks of 1953:4, 1956:4, 1974:1 and 1979:4.

– – Index of the present cycle of the gross national product in constant dollars. This index takes a value equal to 100 for the last peak recorded by the GNP, i.e. 1981:2.

Sources: National Income and Expenditure Accounts, S.C., 13-001.
Ministère des Finances du Québec.

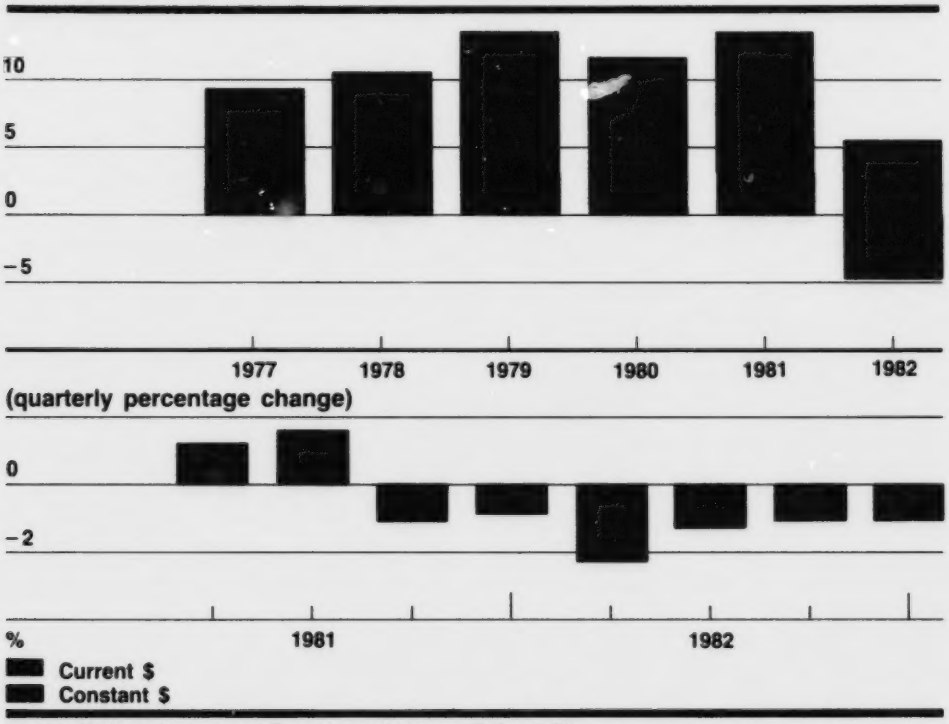
amounted to 553 000 in eighteen months, and the unemployment rate rose sharply, to close the year 1982 at 12.8%.

The graph above shows the extent to which the present economic cycle differs from previous cycles which we have experienced in Canada in the past thirty years. Whereas generally an economic peak was followed by a drop in activity extending over an average of two quarters, the present cycle is resulting in a drop in production which has been more considerable, and above all much more drawn out, since the past cyclical peak.

Reflecting primarily the drop in business capital expenditure, the massive liquidation of inventories and the reduction in household demand, 1982 ended with a 4.8% drop in the real gross national product. The most important manifestations of the imbalances which resulted from the restrictive monetary policy in North America are a marked deterioration of the corporate financial situation, a 34% increase in the number of bankruptcies, and a 45% increase in the number of unemployed.

The progress achieved with regard to inflation has been relatively modest and late, primarily because of the notable increase in domestic oil prices. On an annual basis, the rise in the Consumer Price Index was 10.8% compared to 12.5% in 1981.

GROSS NATIONAL PRODUCT — CANADA
(annual percentage change)



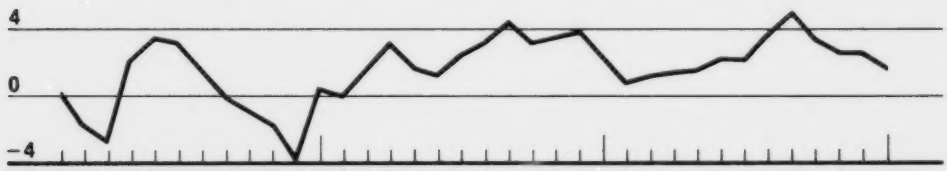
Source: National Income and Expenditure Accounts, S.C., 13-001.

Monetary Policy

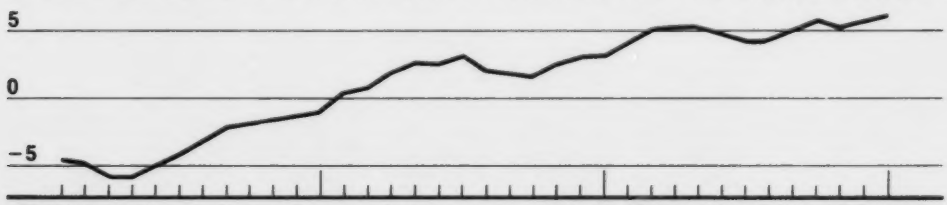
The direction of North American monetary policy and its impact on interest rates are among the major causes behind Canada's marked drop in production last year. Monetary policy went through two distinct phases of approximately equal duration in 1982, primarily because of the way the Canadian dollar behaved on the foreign exchange markets.

During the first half of the year, because of the severity of the recession, particularly in relation to the other industrialized countries, the inflation-unemployment dilemma was felt more acutely than ever when, faced with rising interest rates in the U.S. from the end of

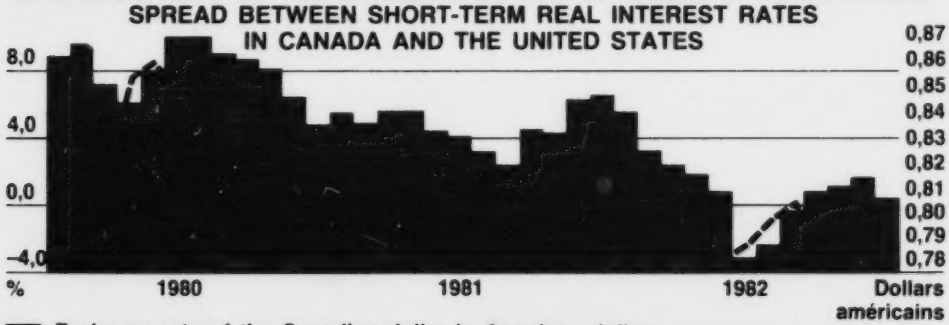
SPREAD BETWEEN SHORT-TERM INTEREST RATES IN CANADA AND THE UNITED STATES[1]



SPREAD BETWEEN INFLATION RATES IN CANADA AND THE UNITED STATES[2]



EXCHANGE RATE OF THE CANADIAN DOLLAR IN AMERICAN DOLLARS AND SPREAD BETWEEN SHORT-TERM REAL INTEREST RATES IN CANADA AND THE UNITED STATES



Exchange rate of the Canadian dollar in American dollars.
Spread between short-term real interest rates in Canada and the United States.

1 90-day prime corporate paper rate (Canada) and 90-day commercial paper rate (United States).

2 Percentage increase of the CPI for the past twelve months.

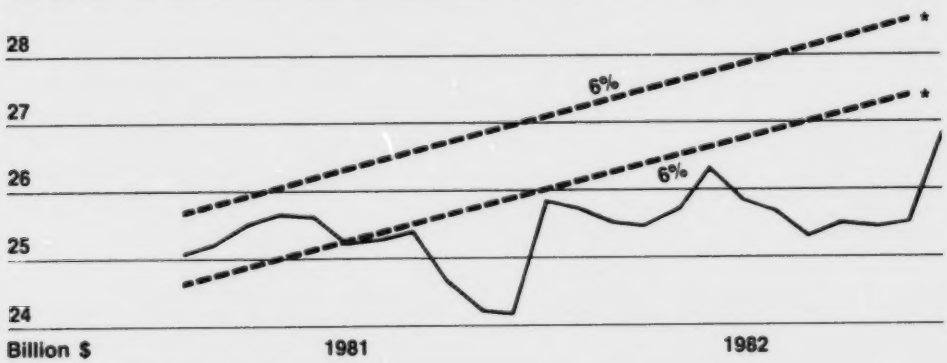
Sources: Bank of Canada.
Ministère des Finances du Québec.

1981, the Bank of Canada reacted by allowing Canadian interest rates to resume their upward trend.

As an example, short-term interest rates increased from 100 to 165 basis points between November 1981 and June 1982, bringing the bank prime lending rate to 18.25%, and increasing even further the extent of the current recession. Still, the differentials between Canadian and U.S. interest rates were reduced during this period, as can be seen in the preceding graph.

Nevertheless, in the light of the ever widening gap between Canadian and U.S. inflation rates, this policy contributed to a fall in the exchange rate which at the beginning of the summer experienced an unprecedented crisis of confidence when the dollar fell to 76.80 cents U.S. in June — a new low. To counter this situation on the foreign exchange market, the Bank of Canada opted in favour of increasing the spreads between Canadian and U.S. interest rates, which stood at about 500 basis points in August 1982. So the evolution of the cost of money contributed greatly to the weakness in the Canadian economy, and the money supply (MI) was well below the minimum growth targets which the authorities had themselves set. Those targets had to be abandoned during the year.

MONEY SUPPLY AND GROWTH TARGET (MI)



— Seasonally adjusted currency and demand deposits (MI)
-- Upper and lower limits of MI target bands.

* Discontinued from December 1982.

Sources: Bank of Canada.
Ministère des Finances du Québec.

In the second half of the year, the easing of monetary policy in the United States, combined with a weakness in demand resulting from the persistent economic recession and major gains with regard to inflation, brought about a drop in interest rates across the border. This downward trend was reflected in an equivalent reduction in the cost of money in Canada because of a rise in the exchange rate.

Interest Rates

As mentioned above, the Bank of Canada kept short-term interest rates relatively stable during the first five months of the year, favouring a reduction of the differentials with the

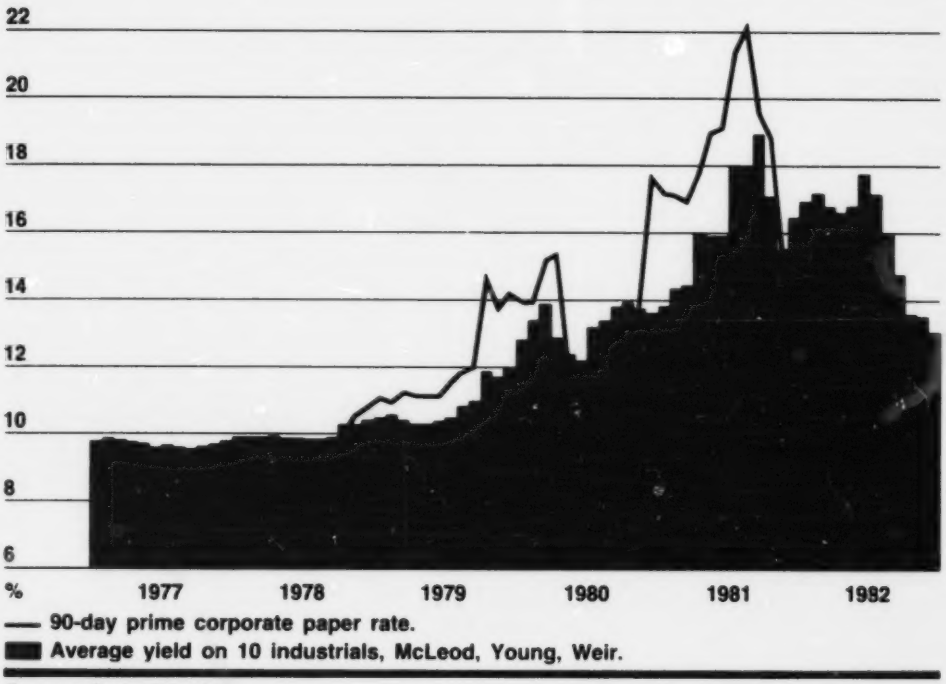
United States. From 384 points in November 1981, the spread between Canadian and American short-term interest rates was narrowed to less than 100 points between January and April 1982. Since this policy appeared inconsistent with the stability of the exchange rate, the Bank of Canada then opted for the opposite policy until August, and the short-term spreads rose to 491 points. Similarly, after remaining relatively stable for the first five months of the year, long-term interest rates rose sharply in June, with the average yield on corporate long-term bonds (McLeod, Young, Weir) reaching 17.86% at month end. Consequently, between the trough of November 1981 and last June's peak, short-term interest rates rose by 165 points, and long-term rates by 231 points.

EVOLUTION OF CERTAIN INTEREST RATES

	Percentage level			Change in basis points	
	1981	1982			
	November	June	December	November 1981-June 1982	June 1982-December 1982
UNITED STATES					
90-day commercial paper	11.56	15.22	8.84	366	-638
Prime business loan rate	15.75/16.00	16.50	11.00/11.50	50/75	-500/-550
Average yield on industrial bonds (Moody's)	14.84	15.48	12.44	64	-304
CANADA					
90-day prime corporate paper	15.40	17.05	10.25	165	-680
Prime business loan rate	17.25	18.25	12.50	100	-575
Average yield on corporate long-term bonds (McLeod, Young, Weir)	15.55	17.86	12.93	231	-493

Sources: Bank of Canada.
Ministère des Finances du Québec.

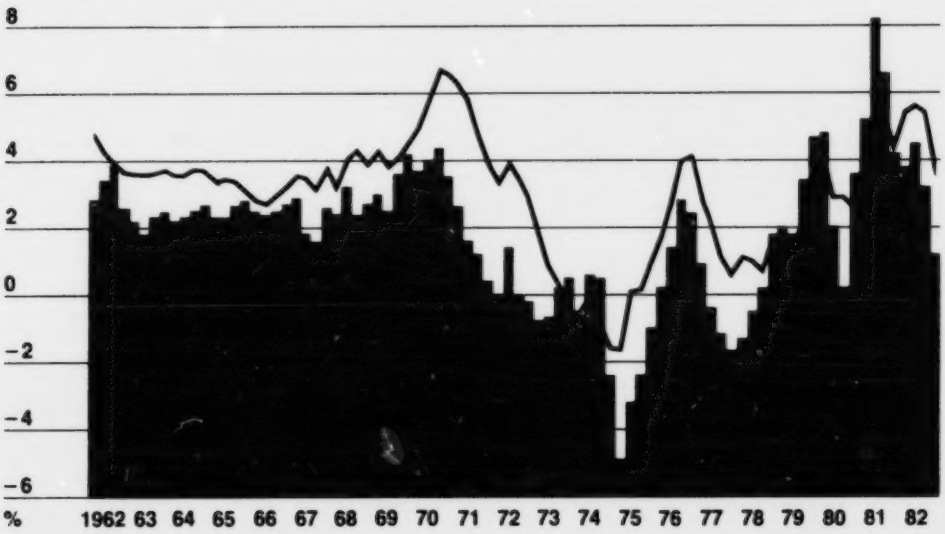
SHORT AND LONG-TERM INTEREST RATES — CANADA



Sources: Bank of Canada.
Ministère des Finances du Québec.

In the second part of the year, short-term interest rates dropped by between 600 and 700 basis points, roughly the same as in the U.S. In the case of long-term securities, the drop was slightly more marked than in the U.S.. Still, in spite of this development, real rates in both Canada and the U.S. remained very high at year end, considering the pronounced decline in inflation rates and since monetary policies were still directed toward the fight against inflation. In this sense, the easing of monetary policy restrictions both in Canada and in the United States, regardless of the spectacular drop in nominal interest rates during the latter part of 1982, was not as marked as during previous recessions.

SHORT AND LONG-TERM REAL INTEREST RATES — CANADA[1]



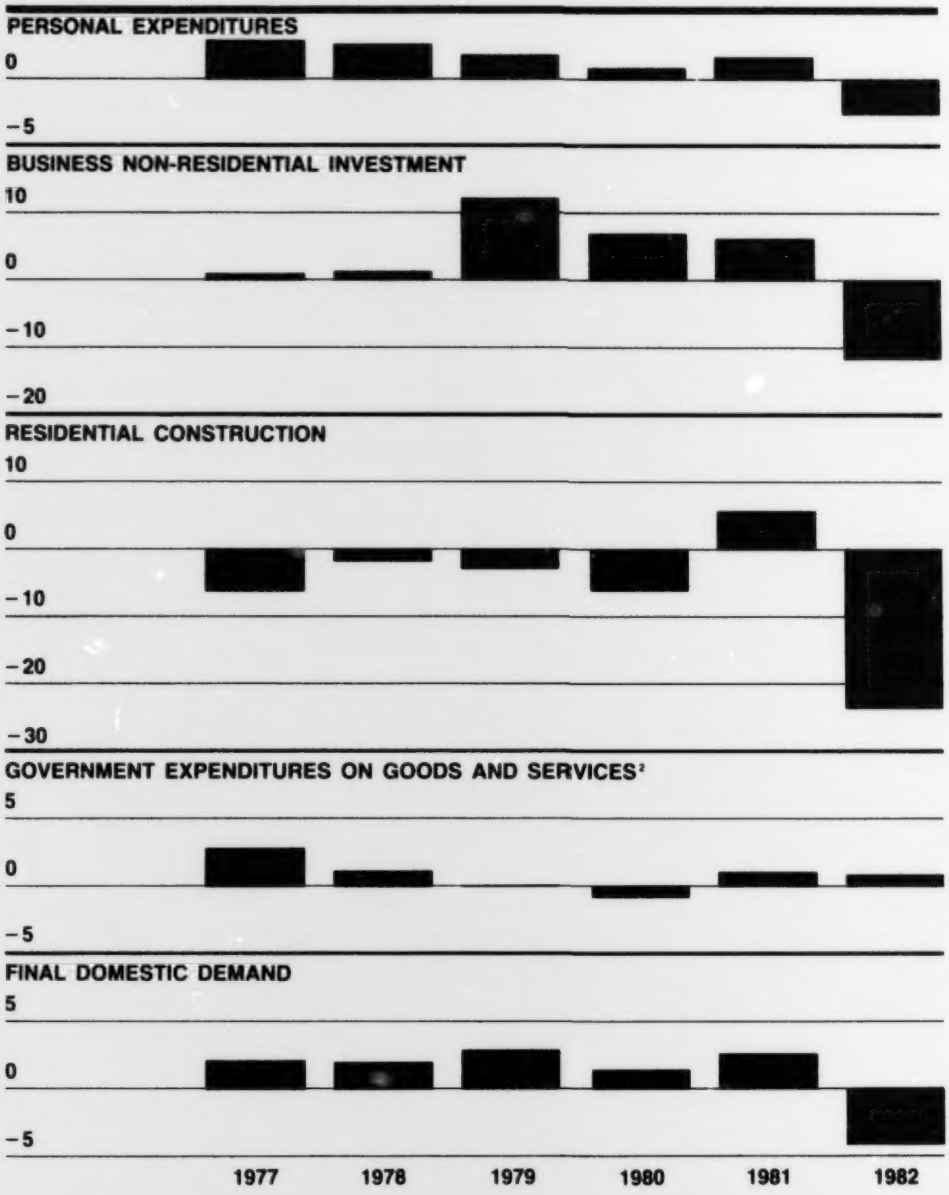
1 The rates are deflated by the percentage increase of the CPI for the last four quarters.

Sources: Bank of Canada.
Ministère des Finances du Québec.

Domestic Demand

The decline in domestic demand, begun in the second quarter of 1981, continued during 1982. Every component of domestic demand recorded a drop, except expenditures of public administrations. The demand sectors most sensitive to interest rates registered the most sizable decreases. Residential construction was hardest hit (−23.5%), followed by business non-residential investment (−11.5%). Purchases of durable and semi-durable goods by households also dropped. Individuals were cautious and increased their savings, so that the savings rate reached an all-time high of 13.7% for the whole of 1982.

DOMESTIC DEMAND[1] — CANADA
(annual percentage change)



1 In constant dollars.

2 Including capital expenditures.

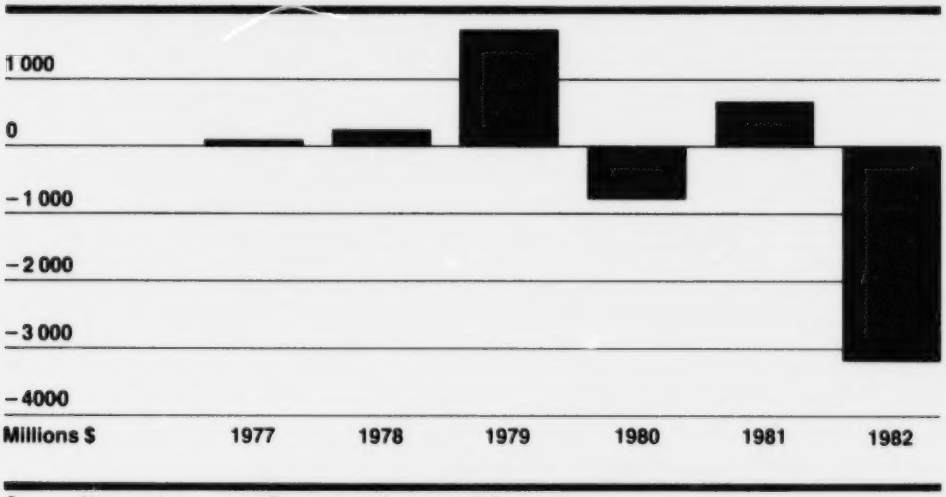
Source: National Income and Expenditure Accounts, S.C., 13-001.

Changes in Inventories

The marked accumulation of inventories seen in the third quarter of 1981 following a sudden weakening in demand turned into a total liquidation of $3 329 000 000 during the next five quarters. For the whole of 1982, the liquidation of inventories reached $3 170 000 000 as opposed to an accumulation of $687 000 000 the previous year.

This phenomenon, which occurred alongside a sharp reduction in demand, was attributable to the liquidity crisis facing Canadian firms as a result of the slowdown in economic activity and the increase in financing costs. The unfavourable impact of this downward adjustment of inventories on overall economic performance stands out when one considers that it was responsible for about 58% of the drop in production in 1982.

PHYSICAL CHANGE IN INVENTORIES — CANADA
(in millions of constant dollars)

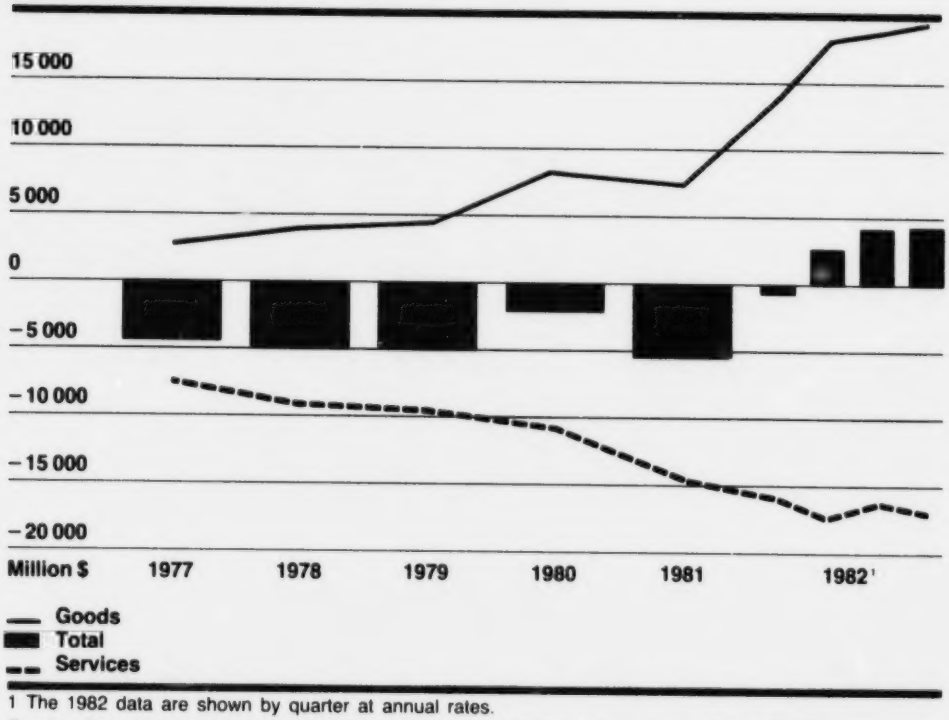


Source: National Income and Expenditure Accounts, S.C., 13-001.

Foreign Demand

In spite of an unfavourable international situation, the current account balance underwent a distinct reversal: while a deficit of $5 346 000 000 had been recorded in 1981, a surplus of $2 669 000 000 was recorded last year. The trade balance contributed to attenuating the reduction in Canadian production in 1982.

CURRENT ACCOUNT BALANCE — CANADA
(in millions of dollars)



1 The 1982 data are shown by quarter at annual rates.

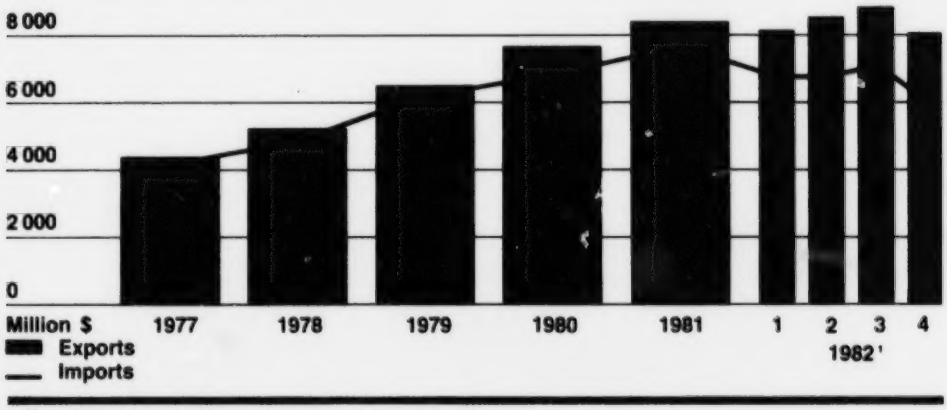
Source: Quarterly estimates of the Canadian balance of international payments, S.C., 67-001.

An increase of over $10 000 000 000 in the merchandise trade balance was responsible for this first surplus in the current account since 1973. The trade balance rose from $7 351 000 000 in 1981 to $17 746 000 000 in 1982. Other components in the current account showed a deterioration of $2 380 000 000, increasing their deficit from $12 697 000 000 in 1981 to $15 077 000 000.

This variation in net exports is attributable to a decline of 10.4% in the volume of imports, since exports decreased by 1.5%. Machinery exports were particularly affected by the recession with a drop of over 20%. Exports of metals, minerals, chemicals and paper products also dwindled considerably. However, there was a strong upswing in the volume of exports of automobiles and parts. Imports fell off for most groups of products although the decreases were most notable for oil, primary metals and machinery.

The deterioration of the services balance in 1982 was primarily attributable to the sharp rise in interest payments to non-residents during the first two quarters of the year. On an annual basis, they went up from $4 914 000 000 in 1981 to $7 738 000 000 in 1982, an increase of 57.5%. On the other hand, interest and dividends received from abroad declined from $1 631 000 000 to $1 305 000 000.

MERCHANDISE TRADE — CANADA
(in millions of dollars)



1 The 1982 data are shown by quarter at annual rates.

Source: Quarterly estimates of the Canadian balance of international payments, S.C., 67-001.

The Exchange Rate

In 1982, the fluctuations in the exchange rate of the Canadian dollar were marked by a loss of confidence which reached its most critical point in June, when the dollar was quoted at 76.8 cents U.S., its lowest value in Canada's history. This unfavourable development, notwithstanding the constant improvement in the current account balance, can be explained by two main factors. First there was a considerable reduction in the spreads between interest rates in Canada and the United States, from an average of 368 basis points in the second half of 1981 to about 100 points during the first four months of 1982. Furthermore, the continuing high inflation rate in Canada, contrasting with the tapering off of price increases in the United States, exerted an additional downward pressure on the Canadian dollar. The gap between inflation rates in Canada and the United States widened considerably from 2.1% in 1981 to 4.6% last year. Under these circumstances, the differences in real interest rates between the two countries fell off and dragged the Canadian dollar in their wake, as shown in the graph on page 10.

In reaction to this drop in the exchange rate, the Bank of Canada decided to increase the nominal interest rate differential to almost 500 basis points in August 1982, producing a recovery in the exchange rate which reached a high of 82.15 cents U.S. by November. In the last four months the increased strength of the Canadian dollar attributable to these measures and the gradual increase in the surplus in the current account balance once again enabled the Bank of Canada to reduce the spreads between short-term interest rates in Canada and the United States.

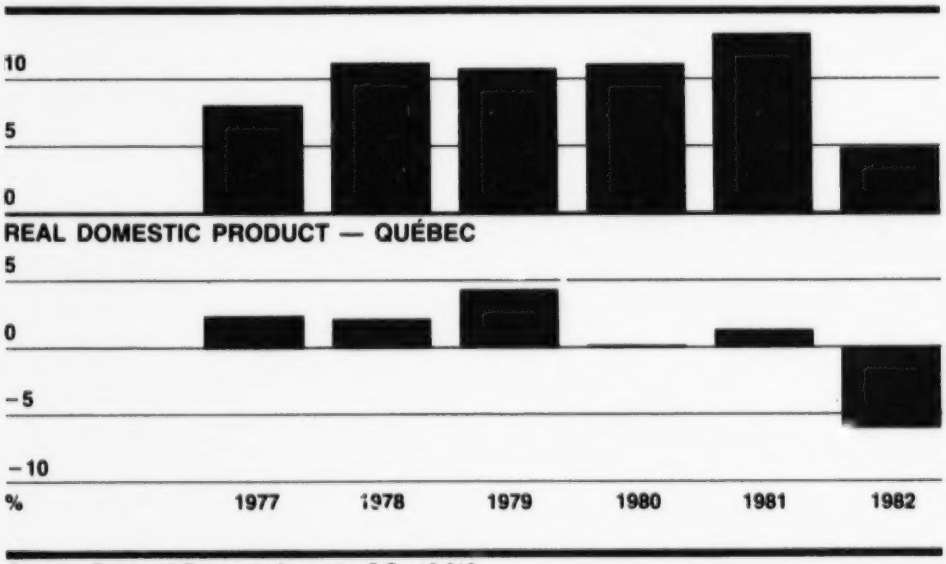
3. THE QUÉBEC SITUATION

The negative effects of the restrictive monetary policy applied in Canada and the United States in recent years have been particularly critical in Québec. The decline in demand and production was strongly felt from the early months of the recession. In addition, the

extent of the recession in Québec seems to have been aggravated by serious liquidity problems for small and medium-sized firms, which are particularly vulnerable to tighter credit conditions.

In spite of improved performance toward the end of the year, it is estimated that the volume of production fell off by 6% in 1982. Decreased activity was particularly noticeable in the mining, manufacturing, trade and construction sectors. Allowing for inflation, the estimated value of the gross domestic product was $82 153 000 000, an increase of 4.9% over 1981.

GROSS DOMESTIC PRODUCT — QUÉBEC
(annual percentage change)



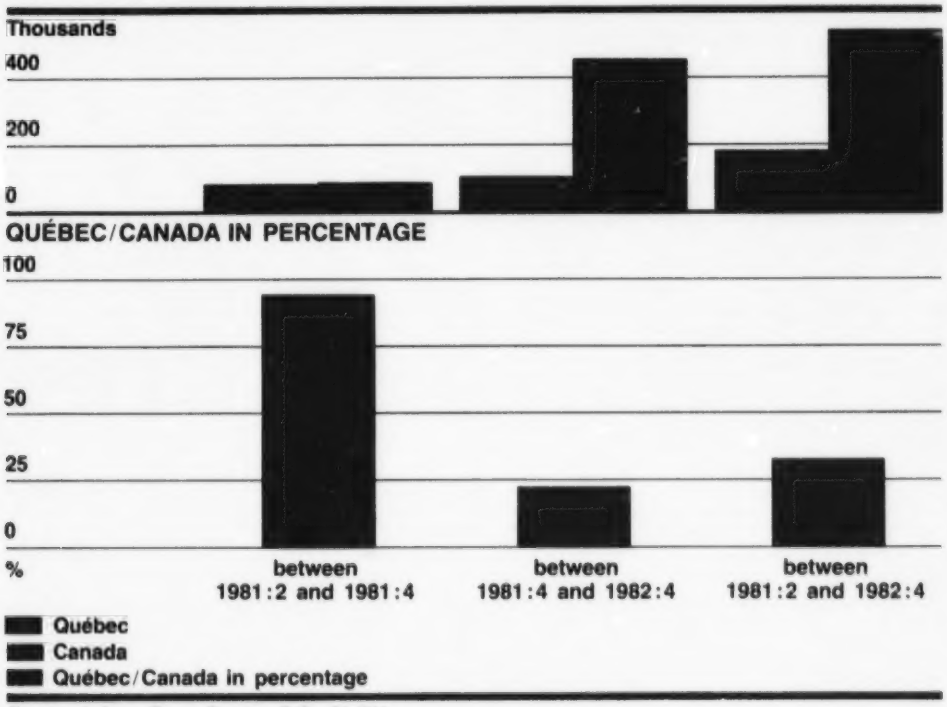
Sources: Provincial Economic Accounts, S.C., 13-213.
Conference Board of Canada.
Ministère des Finances du Québec.

Concurrently with dwindling production, the situation on the labour market worsened for most of the year. On an annual basis, job losses totalled 145 000 (5.4%) in 1982, headed by drops in the manufacturing and trade sectors. Thus the unemployment rate went up to reach an average of 13.8%.

In retrospect, an analysis of the jobs lost during the six quarters of the recession in Québec and the other provinces of Canada indicates that, while the decrease in the number of jobs was much more marked in Québec during the first two quarters than in the rest of Canada, the situation changed considerably after that. Job losses in Canada in the last half of 1981 were localized in Québec and the Maritime provinces. In the same period employment increased in Ontario and remained stable in Western Canada. In 1982 the situation reversed itself because of particularly pronounced setbacks in Ontario

and British Columbia. Québec's share in job losses recorded in Canada in 1982 was only 22.8%, a proportion lower than the relative size of Québec's population in Canada.

JOB LOSSES — QUÉBEC AND CANADA

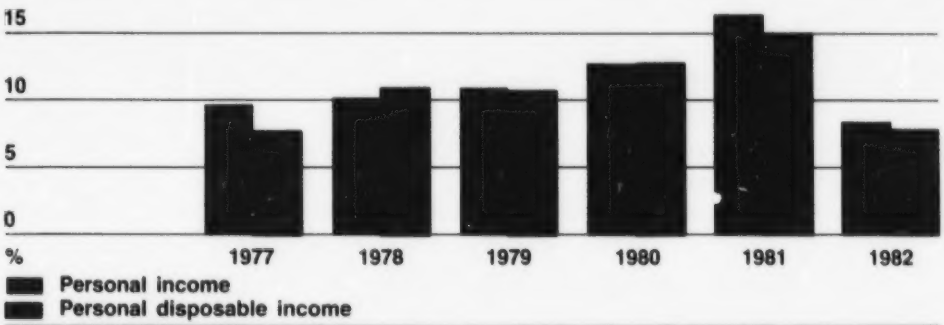


Source: Labour Force Survey, S.C., 71-001.

Consumer Income and Spending

The growth of investment income and the rapid increase in transfer payments (social aid and unemployment insurance) partially counteracted the marked tapering off of labour income, enabling a rise in personal income of 8.4% in 1982 after a spurt of 16.4% in 1981. Allowing for changes in direct taxes, the growth rate of personal disposable income came to 8.0% in 1982, to reach a total of $58 600 000 000.

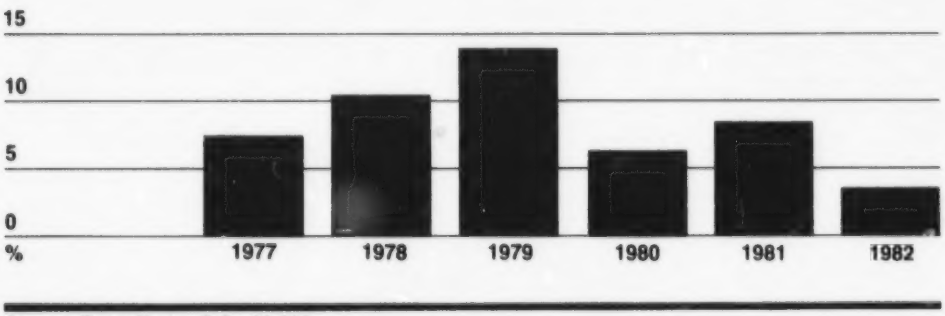
HOUSEHOLD INCOME — QUÉBEC
(annual percentage change)



Sources: Provincial Economic Accounts, S.C., 13-213.
Ministère des Finances du Québec.

Retail sales slowed down substantially, growing by only 3.6% in 1982, compared with 8.5% in 1981. This slight rise in the value of sales can be explained by the decline in real personal disposable income and by an increase in the savings rate, which reflected high interest rates and prudent behaviour on the part of households in the face of uncertain job prospects. Automobile dealers and furniture and household appliance stores were the hardest hit, with drops of 14.4% and 1.8%, respectively, in their sales. The sales volume in other categories of stores also decreased, but to a lesser extent.

RETAIL SALES — QUÉBEC
(annual percentage change)

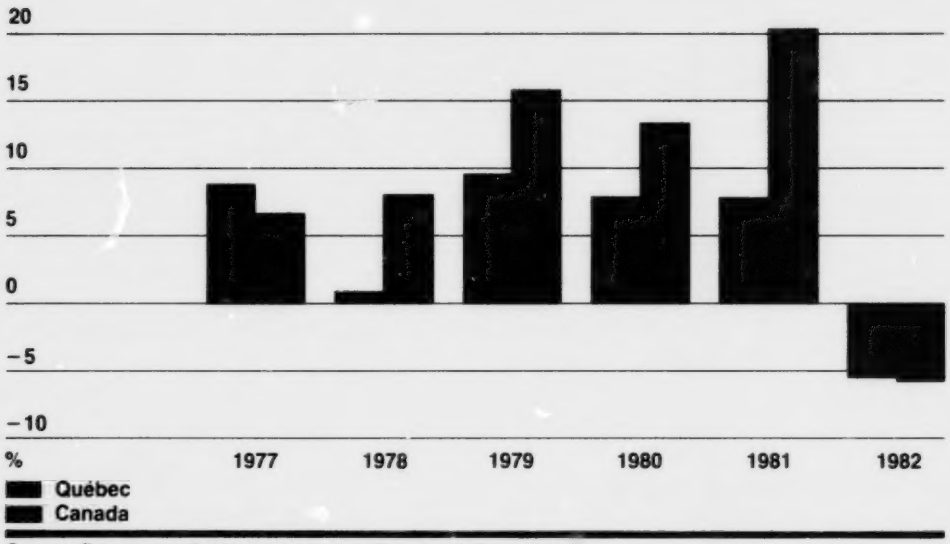


Source: Retail Trade, S.C., 63-005.

Private and Public Investment

Private and public investment declined by 5.4% in Québec in 1982, to a total of $12 995 000 000. In Canada as a whole, the decrease in capital expenditures was 5.7% last year. In Québec, the situation was dominated by a plunge of 25.3% in residential construction expenditures. In the non-residential sector, capital expenditures fell off by 1.3% in Québec compared with 1.9% in the whole of Canada. Moreover, capital expenditures in the public sector increased by 3.1%.

TOTAL CAPITAL EXPENDITURES — QUÉBEC
(annual percentage change)

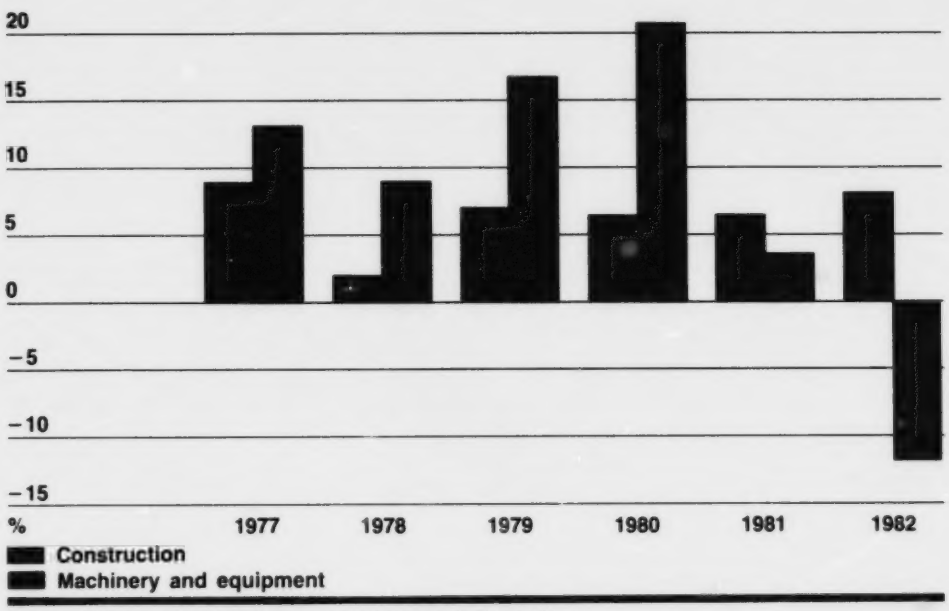


Source: Private and Public Investment in Canada, S.C., 61-205.

Non-Residential Investment

The low rate of capacity utilization, the precarious financial position of many business firms and the excessive rise in financing costs meant that numerous capital expenditure projects were abandoned or postponed. Accordingly non-residential capital expenditures declined by 1.3% in 1982 because of a drop of 11.8% in machinery and equipment purchases. On the other hand, construction investment grew by 8.6% thanks to the dynamic activity of the public utilities and trade sectors. In the manufacturing sector, investment fell off by 11.1% because of a marked cutback in machinery and equipment purchases. In this sector, capital expenditures were substantially reduced in the furniture, primary metals, clothing, metal products and chemicals industries. However, an increase of 82.4% in capital expenditures in the petroleum-related industries should be noted.

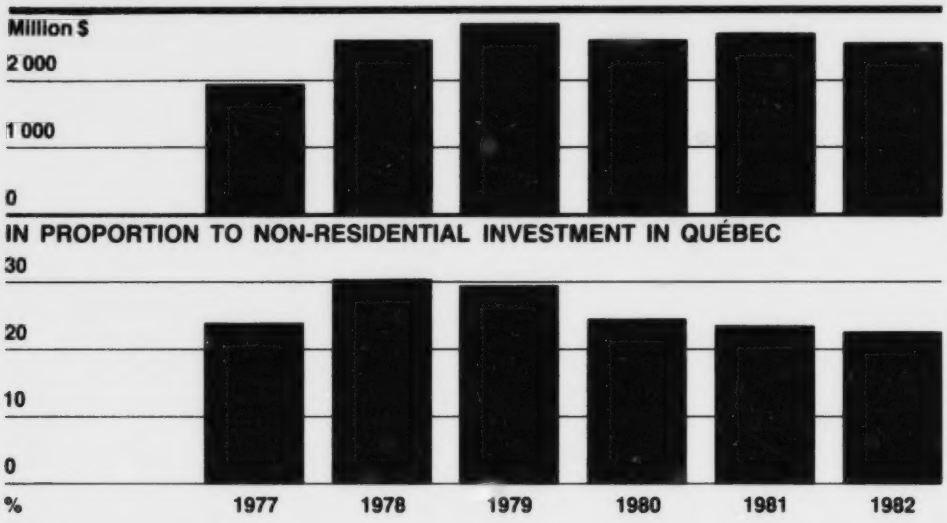
NON-RESIDENTIAL CAPITAL EXPENDITURES — QUÉBEC
(annual percentage change)



Source: Private and Public Investment in Canada, S.C., 61-205.

Less affected by the short-term economic situation, capital expenditures in the public utilities sector went up 5.9%, because of a rise of over 20% in construction spending. This favourable development was due mainly to expenditures related to extending the natural gas network in Québec: gas pipelines and distribution networks. Hydro-Québec's capital expenditures on the other hand declined by 3.8%. Hydro-Québec investment came to $2 542 000 000 in 1982, that is, 22.6% of total non-residential capital expenditures.

CAPITAL EXPENDITURES — HYDRO-QUÉBEC

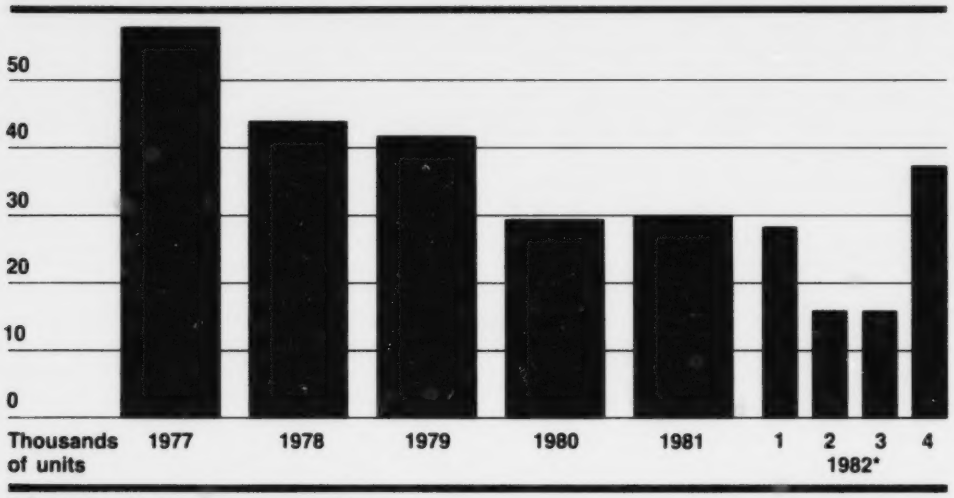


Sources: Private and Public Investment in Canada, S.C., 61-205.
Hydro-Québec.

Residential Construction

In 1982, the economic situation was more unfavourable for residential construction than at any time since the second world war. High interest rates and the marked degree of economic uncertainty facing many households combined to reduce the number of

HOUSING STARTS — QUÉBEC
(in thousands of units)



* Quarterly evolution shown at annual rate

Source: Canada Mortgage and Housing Corporation.

housing starts to the lowest level in the last quarter century, 23 494 units. This figure would have been even lower if the Corvée-Habitation program and the Canadian Homeownership Stimulation Plan had not been established and started up in the second half of the year.

As can be seen in the above graph, the quarterly profile of housing starts is a good illustration of the contribution made to the residential sector by the assistance programs. Detached housing unit starts remained on average below 8 000 for the first nine months of the year, compared with an already very low level of 14 231 units in 1981. For multiple-unit housing, the weakness only materialized in the spring. Activity was sustained in this market segment by the extension of a federal program to promote construction of rental housing until December 31, 1981. For technical reasons, the impact of this program continued to be felt into the first quarter.

The fall was therefore a turning point for residential construction, for the implementation of government programs and the significant drop in mortgage rates brought about an increase of over 130% in the number of housing starts which climbed to 37 000 units. The various measures — the federal subsidy of $3 000, larger amounts deductible for provincial income tax purposes when paid into registered home ownership savings plans, the 13.5% subsidized interest rate guaranteed for three years, grants from a great number of municipalities under the Corvée-Habitation program — enabled new buyers who took advantage of the various programs to obtain financing at below market rates. The result was a considerable reduction in the mortgage burden assumed for the purchase of a new home, at a time when mortage interest rates in the range of 19% had made property ownership impossible for the vast majority of households during the first eight months of the year.

External Demand

Québec's exports abroad have been hard hit by the world-wide economic recession prevailing for the past two years. Limited at first to shipments of metals and minerals, the effect of flagging foreign demand extended to almost all the products exported by Québec. For 1982 as a whole, the value of international exports loaded in Québec dropped by 5.6% compared with a rise of 7.2% the previous year. This is in contrast to the 1978-1980 performance when the average annual growth rate of Québec shipments abroad was over 25% and is indicative of the unfavourable effect exerted by the world recession on economic activity in Québec.

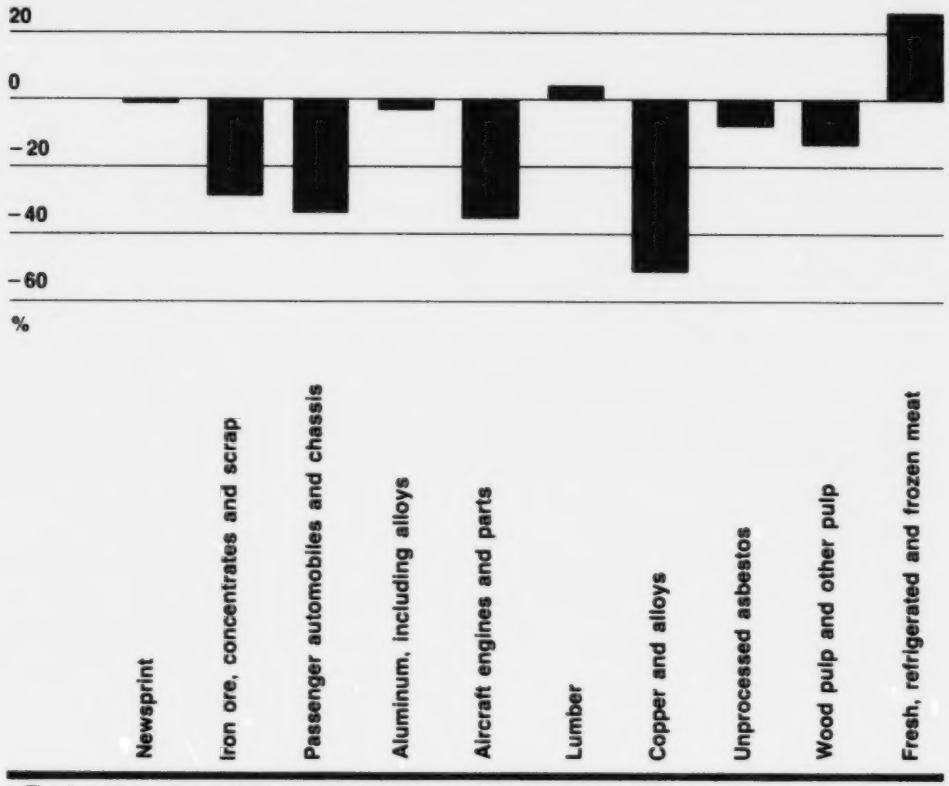
CANADIAN INTERNATIONAL EXPORTS LOADED IN QUÉBEC

	Level in 1981	1979	1980	1981	1982
	(millions of dollars)	(percentage change)			
Primary products	2 646,8	48,5	– 0,5	7,2	–23,0
Manufactured products	13 051,0	24,0	27,5	6,9	– 2,8
— Consumer goods	2 903,3	32,8	16,9	6,7	– 6,6
— Machinery and equipment	2 645,9	49,2	31,9	12,0	5,4
— Construction materials and components	994,1	25,9	6,3	19,1	1,7
— Intermediary products and supplies	6 507,8	12,7	34,6	3,4	– 5,1
Including: Pulp and paper	2 771,2	23,4	12,1	17,1	– 4,2
Metal products	2 279,8	– 8,9	76,8	–18,5	–13,2
Total exports	**15 946,1**	**29,4**	**22,0**	**7,2**	**– 5,6**

Source: Bureau de la statistique du Québec.
Ministère des Finances.

International shipments of metals and minerals fell off by more than 20% because of weak world-wide demand for iron, asbestos and copper. Exports of manufactured products declined by 2.8% due to reduced shipments of most categories of products exported by Québec. Exports of consumer goods, passenger automobiles, aircraft engines and parts, wood pulp, aluminum and copper were particularly hard hit by the recession. On the other hand, food and beverage exports increased by about 15% because of a strong growth in shipments of meat and milk.

CANADIAN EXPORTS LOADED IN QUÉBEC
(annual percentage change)[1]



1 The first 10 months of 1982 compared to the corresponding period in 1981.
Source: Bureau de la statistique du Québec.

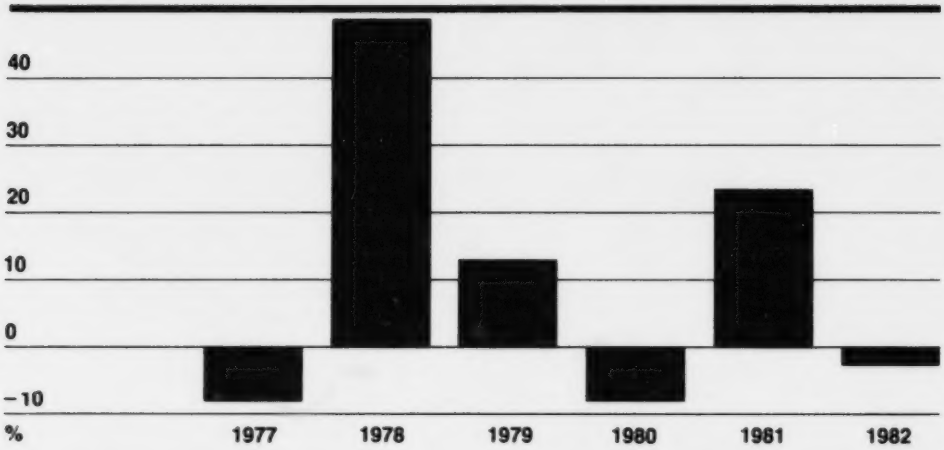
The Primary Sector

Agriculture

Contrary to what was seen in the rest of Canada, monetary receipts of Québec farmers rose by 4.5% in 1982. This relative strength in Québec's agriculture can be attributed to the strong growth of income from pork products (18.4%) and increased revenue from dairy products (12.5%). But 1982 was not a good year in all sectors, since revenue from beef products dropped (−4.0%) as did that for all crops (−6.9%).

The net income of Québec farm producers dropped by 2.7% in 1982, but this was still a much better showing than in the rest of Canada, where it dropped by 21.5%. Operating costs, of which interest costs accounted for a major part, increased more rapidly than income. Finally, a strong diminution in the value of inventories only added to these unfavourable developments.

FARM NET INCOME FROM FARM OPERATIONS — QUÉBEC
(annual percentage change)

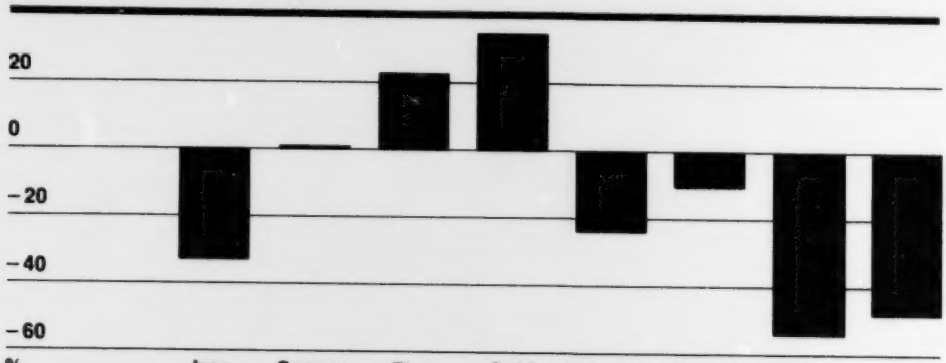


Source: Farm Net Income, S.C., 21-202, Preliminary estimates, 1982.

Mining

Once again, activity in the mining sector was slow in 1982. Production fell off by about 13% so that the cumulative drop in mining activity in Québec since 1980 was almost 30%. A slowdown in construction and a reduction in manufacturing activity, both in Canada and abroad, had a negative effect on the extraction of the main products. This situation resulted in sizable reductions in shipments of iron (−32.1%), asbestos (−23.9%), cement (−10.3%), stone (−48.2%) and sand and gravel (−54.2%). The beginning of 1982 was good for zinc and copper shipments which increased by 23.0% and 0,7% respectively over 1981. The situation as regards gold was not the same as in the rest of the industry because its price remained high and new deposits were exploited. This brought gold shipments up by 34.1%, and this ore now stands in second place, having outstripped asbestos with regard to value of Québec's mining shipments. First place is still held by iron ore.

VOLUME OF SHIPMENTS OF VARIOUS MINING PRODUCTS IN 1982 — QUÉBEC
(annual percentage change)

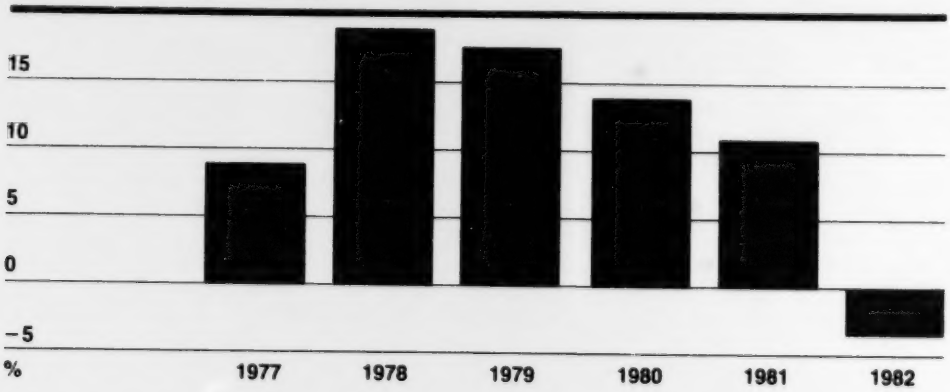


Source: Mineral Production in Canada, Preliminary estimates, 1982, S.C., 26-202.

The Manufacturing Sector

In 1982, the value of manufacturers' shipments dropped by 3.7%, roughly the same as for the whole of Canada. This downward trend occurred in most sectors, as in 14 of the 20 industrial sectors the value of sales was lower than that for 1981. Among the sectors hardest hit were textiles, wood, furniture, primary metal processing and transportation equipment.

VALUE OF MANUFACTURERS' SHIPMENTS — QUÉBEC
(annual percentage change)



Source: Inventories, Shipments and Orders in Manufacturing Industries, S.C., 31-001.

Québec's manufacturing sector was more severely affected at the beginning of the recession than that of the rest of Canada, but in the last months of 1982 this sector showed obvious signs of recovery. The value of shipments in the manufacturing sector rose sharply in the fourth quarter of last year (18% at the annual rate) in Québec, whereas for Canada as a whole it recorded a drop of some 20%. In Québec, this recovery of shipments was especially noticeable in metal products, transportation equipment, wood, furniture and primary metal processing.

The Tertiary Sector

Considering the change noted last year with respect to household demand and production by goods producing sectors, activity in the industries of the service sector decreased in 1982. Two sectors were particularly hard hit by the weak domestic demand, transportation and trade. With respect to the transportation sector, the effects of the decline in domestic demand were also reinforced by a decrease in shipments abroad, especially of metals and minerals.

After having increased at a rate above 7% during the past three years, the public utilities sector was also down as a result of a falling-off in the demand for energy. Net electricity production dropped by 2.8%, which contributed to the weakness of production in this sector. Finally, in community, commercial and personal services employment declined by 1.7% (−14 000), reflecting, in addition to reduced demand for services by households, flagging activity on the part of industries specializing in services to businesses.

The Labour Market

From September 1981, the economic slowdown began to cause the loss of many jobs, a trend which persisted throughout 1982. The drop in employment bottomed out in August 1982, with a decrease of 236 000 jobs compared to the corresponding month of the previous year. During the last four months of the year, job losses slowed, to 85 000 in December. On average, during 1982 Québec lost 145 000 jobs, a drop of 5.4% over 1981.

On a sectorial basis, job losses were most considerable in the manufacturing sector (−52 000) and in trade (−28 000). The largest relative drop in jobs was recorded in the construction sector, 8.9%, for 11 000 jobs lost. The other sectors shared an overall loss of 54 000, as shown in the following table.

EMPLOYMENT BY SECTOR — QUÉBEC
(in thousands)

	1981	1982	Change
Primary	128	119	– 9
Construction	123	112	– 11
Manufacturing	586	534	– 52
Transportation, communications and other utilities	227	215	– 12
Trade	462	434	– 28
Finance, insurance	139	132	– 7
Community, business and personal services	828	814	– 14
Public administration	192	180	– 12
Total	**2 685**	**2 540**	**– 145**

Source: Labour Force Survey, S.C., 71-001.

During 1982, the labour force decreased by 1.6% (– 49 000) while the working age population grew by 0.9% (43 000). A number of people were discouraged by the increasing difficulty in finding jobs and decided to leave the labour force; its number therefore dropped by 92 000. The number of jobs lost exceeded the decline in the labour force, so the number of unemployed went up from 311 000 to 407 000, and the unemployment rate from 10.4% to 13.8%.

EMPLOYMENT AND UNEMPLOYMENT — QUÉBEC

	Employment			Unemployment Rate		
	1981	1982	Change	1981	1982	Change
	(in thousands)			%	%	(percentage points)
Bas-St-Laurent, Gaspésie	74	60	– 14	17,9	21,2	3,3
Saguenay, Lac-St-Jean	101	95	– 6	12,9	15,5	2,6
Québec	419	390	– 29	10,7	13,1	2,4
Trois-Rivières	168	164	– 4	11,3	16,5	5,2
Cantons-de-l'Est	88	89	+ 1	11,1	15,5	4,4
Montréal	1 618	1 531	– 87	9,3	12,9	3,6
Outaouais	105	106	+ 1	11,6	12,9	1,3
Nord-ouest québécois	49	48	– 1	14,9	22,7	7,8
Côte-Nord — Nouveau-Québec	45	46	+ 1	14,9	16,2	1,3
Unassigned	18	11	– 7	—	—	—
Total	2 685	2 540	– 145	10,4	13,8	3,4

Source: Labour Force Survey, S.C. 71-001.

On a regional basis, an analysis of the labour market indicates that employment in the Montréal region evolved at the same rate as it did in the whole of Québec, recording a drop of 5.4% (– 87 000). The region most affected was the Bas St-Laurent-Gaspésie (– 18.9%; – 14 000). Next came the Québec City region (– 6.9%; – 29 000), and finally

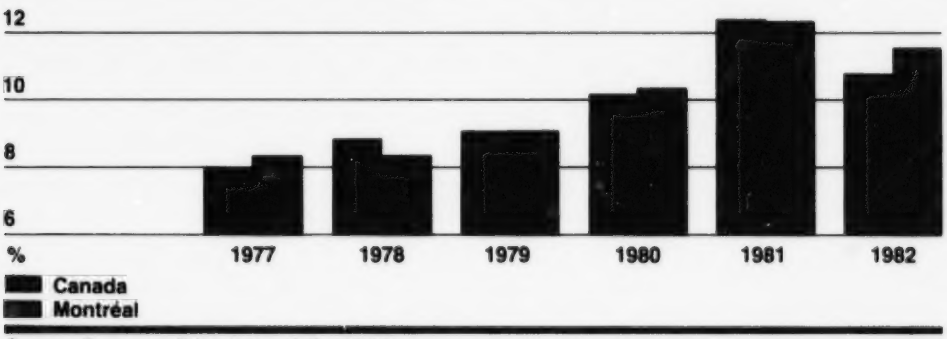
the Saguenay-Lac St-Jean (−5.9%; −6 000). In the Trois-Rivières and Northwestern Québec regions employment decreased by 2.4% (−4 000) and 2% (−1 000), respectively, whereas in three regions employment rose slightly, increasing by about 1 000 in each region: Estrie, Outaouais and Côte-Nord-Nouveau-Québec.

The highest unemployment rates recorded in 1982 were in the Bas St-Laurent-Gaspésie (21.2%) and Northwestern Québec (22.7%), whereas the lowest rates were found in the Montréal and Outaouais regions.

Wages and Prices

Despite an increase in unit labour costs, resulting from reduced productivity, and a rise of 25% in energy costs, the annual rate of inflation dropped in Montréal from 12.4% in 1981 to 11.5% in 1982. This reduction in the growth rate of consumer prices took place because of a marked decrease in inflation among our trading partners, and a slower rise in food product prices. In addition, the low rate of productive capacity utilization had a moderating effect on workers' salary demands and business profit margins.

CONSUMER PRICE INDEX
(annual percentage change)

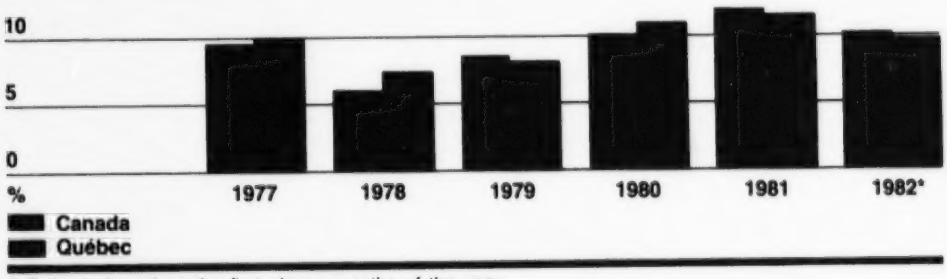


Source: Consumer Price Index, S.C., 62-001.

In Canada, the average wage increases obtained by unionized workers in commercial industries for the first year of their collective agreements dropped from 14.1% to 7.8% between the first and the last quarter of 1982. The rise in hourly wages paid by firms in the manufacturing sector[1] was also slightly slower than in 1981 — 11.8% in Québec as against 12.1% for Canada as a whole. The growth of average weekly earnings in all industries was restricted to 9.8% and 10.1% in Québec and Canada, respectively, as a result of a reduction in the number of hours worked.

1 Estimate based on the first eleven months of the year.

AVERAGE WEEKLY WAGE
(annual percentage change)



* Estimate based on the first eleven months of the year.

Source: Employment, Earnings and Hours, S.C., 72-002.

ECONOMIC INDICATORS
CANADA

	Unit of measurement	1978	1979	1980	1981	1982[1]	78-77	79-78	80-79	81-80	82-81	82-78[2]
							%	%	%	%	%	%
Gross national product	000 000 $	230 490	261 576	291 869	331 338	348 925	10,4	13,5	11,6	13,5	5,3	10,9
Real domestic product	000 000 $71	111 928	116 145	117 099	120 550	114 588	3,3	3,8	0,8	2,9	– 4,9	0,6
Per capita real domestic product	$71	4 756	4 886	4 867	4 952	4 657	2,2	2,7	– 0,4	1,7	– 6,0	– 0,5
Personal income	000 000 $	190 403	212 867	239 891	280 413	307 750	11,1	11,8	12,7	16,9	9,7	12,8
Per capita personal income	$	8 091	8 956	9 972	11 520	12 509	10,0	10,7	11,3	15,5	8,6	11,5
Total capital expenditures	000 000 $	50 360	58 354	66 193	79 604	75 079	8,1	15,9	13,4	20,3	– 5,7	10,5
— manufacturing sector	000 000 $	6 178	7 444	9 747	12 739	11 123	1,6	20,5	30,9	30,7	– 12,7	15,8
Value of shipments — manufacturing industries	000 000 $	129 295	152 486	168 410	189 312	182 865	18,6	17,9	10,4	12,4	– 3,4	9,1
Retail sales	000 000 $	68 778	77 025	84 026	94 293	97 381	11,6	12,0	9,1	12,2	3,3	9,1
Consumer Price Index	1981 = 100	73,9	80,7	88,9	100,0	110,8	8,9	9,2	10,2	12,5	10,8	10,7
Population (June 1)	'000	23 534	23 769	24 058	24 342	24 603	1,1	1,0	1,2	1,2	1,1	1,1
Labour force	'000	10 882	11 207	11 522	11 830	11 879	3,7	3,0	2,8	2,7	0,4	2,2
Employment	'000	9 972	10 369	10 655	10 933	10 574	3,4	4,0	2,8	2,6	– 3,3	1,5
Unemployment	%	8,4	7,5	7,5	7,6	11,0						

1 Preliminary figures.
2 Compound annual rate.

Sources: Private and Public Investment in Canada, S.C., 61-205, Manufacturing Industries, S.C., 31-205, Retail Trade, S.C., 63-005, National Income and Expenditure Accounts, S.C., 13-001, Prices and Price Indexes, S.C., 62-010, Labour Force Survey, S.C., 71-001, Estimates of Population for Canada and the Provinces, S.C., 91-201.

ECONOMIC INDICATORS
QUÉBEC

	Unit of measurement	1978	1979	1980	1981	1982[1]	78-77	79-78	80-79	81-80	82-81	82-78 [2]
							%	%	%	%	%	%
Gross domestic product	000 000 $	56 092	62 182	69 047	78 316	82 153	11,3	10,9	11,0	13,4	4,9	10,0
Real domestic product	000 000 $71	25 991	27 164	27 208	27 548	25 895	2,3	4,5	0,2	1,3	−6,0	−0,1
Per capita real domestic product	$71	4 119	4 280	4 257	4 279	4 002	2,1	3,9	−0,5	0,5	−6,5	−0,7
Personal income	000 000 $	47 438	52 665	59 421	69 187	74 996	10,2	11,0	12,8	16,4	8,4	12,1
Per capita personal income	$	7 516	8 297	9 297	10 746	11 591	9,9	10,4	12,0	15,6	7,9	11,4
Total capital expenditures	000 000 $	10 794	11 854	12 819	13 739	12 995	0,9	9,8	8,1	7,2	−5,4	4,7
— manufacturing sector	000 000 $	1 280	1 448	2 190	2 272	2 019	8,3	13,2	51,2	3,8	−11,1	12,1
Value of shipments — manufacturing industries	000 000 $	33 441	39 373	44 867	49 764	47 925	19,1	17,7	14,0	10,9	−3,7	9,4
Retail sales	000 000 $	17 196	19 624	20 895	22 671	23 480	10,5	14,1	6,5	8,5	3,6	8,1
Consumer Price Index	1981 = 100	73,9	80,6	89,0	100,0	111,6	8,3	9,1	10,3	12,4	11,5	10,9
Population (June 1)	'000	6 312	6 347	6 391	6 438	6 470	0,3	0,6	0,7	0,7	0,5	0,6
Labour force	'000	2 827	2 878	2 959	2 996	2 947	2,6	1,8	2,8	1,3	−1,6	1,0
Employment	'000	2 520	2 602	2 667	2 685	2 540	1,9	3,3	2,5	0,7	−5,4	0,2
Unemployment	%	10,9	9,6	9,9	10,4	13,8						

1 Preliminary figures.
2 Compound annual rate.

Sources: Private and Public Investment in Canada, S.C., 61-205, Manufacturing Industries, S.C., 31-205, Retail Trade, S.C. 63-005, National Income and Expenditure Accounts, S.C., 13-001, Prices and Price Indexes, S.C., 62-010, Labour Force Survey, S.C., 71-001, Provincial Economic Accounts, S.C., 13-213, Estimates of Population for Canada and the Provinces, S.C., 91-201.

THE GOVERNMENT'S FINANCIAL POSITION AND BORROWINGS IN THE PUBLIC SECTOR

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LIST OF BORROWINGS BY HYDRO-QUÉBEC IN 1982 ..... II – 25

1. THE GOVERNMENT'S FINANCIAL TRANSACTIONS

The preliminary results of the financial transactions of the gouvernement du Québec for the year ending March 31, 1983, show a total of $2 241 200 000 in net financial requirements as against $2 146 300 000 for 1981-1982. This is higher by $206 200 000 than what was forecast in the Budget Speech on May 25, 1982. Taking account of the increase in the cash position and the combined effect of reduced repayments of borrowings and the increase in net financial requirements since then, new borrowings will amount to $2 761 900 000.

The budgetary transactions deficit stands at $3 135 000 000, an increase of $150 000 000 in relation to the estimate in the Budget Speech. This change stems from a reduction in revenue of $515 000 000, combined with a decrease in expenditure of $365 000 000.

The non-budgetary transactions surplus stands at $893 800 000, a $56 200 000 reduction in comparison with the initial estimate. Favourable changes in investments, loans and advances are more than offset by the reduction in the surplus of the retirement plans account, and in the balance of other non-budgetary accounts.

GOUVERNEMENT DU QUÉBEC
STATEMENT OF FINANCIAL TRANSACTIONS
SUMMARY
(in millions of dollars)

	1981-1982	1982-1983		
		Budget Speech	Preliminary results[1]	Changes
1. Budgetary transactions				
Revenue	+17 481.7	+19 670.0	+19 155.0	−515.0
Expenditure	−20 393.4	−22 655.0	−22 290.0	+365.0
Deficit	−2 911.7	−2 985.0	−3 135.0	−150.0
2. Non-budgetary transactions				
Investments, loans and advances	− 72.9	− 200.0	− 131.5	+ 68.5
Retirement plans account	+ 1 007.3	+ 1 085.0	+ 1 052.6	− 32.4
Other accounts	− 169.0	+ 65.0	− 27.3	− 92.3
Balance	+ 765.4	+ 950.0	+ 893.8	− 56.2
3. Net financial requirements	−2 146.3	−2 035.0	−2 241.2	−206.2
4. Financing				
Change in cash position	+ 207.9	—	− 75.1	− 75.1
New borrowings	+ 2 951.6	+ 2 735.0	+ 2 761.9	+ 26.9
Less: repayments of borrowings	− 1 013.2	− 700.0	− 445.6	+254.4
Total	**+2 146.3**	**+2 035.0**	**+2 241.2**	**+206.2**

N.B.: A (−) sign indicates a financial requirement and a (+) sign, a source of financing. For the change in cash position, a (−) sign indicates an increase and the (+) sign, a decrease.

1 The financial data for 1982-1983 given in this appendix are determined on the basis of the results recorded for the period of April 1982 to March 1983 and of an estimate as at April 15, 1983, of revenue and expenditure posted to the lapsed fiscal year, in April 1983, according to the accounting practices in effect

Budgetary Revenue

Budgetary revenue for the 1982-1983 fiscal year is estimated at $19 155 000 000, an annual increase of 9.6%, as opposed to 19.0% the previous year. In comparison with the forecast in the Budget Speech, own-source revenue decreased by $874 000 000, while transfers from the federal government increased by $359 000 000.

SUMMARY OF THE EVOLUTION OF OWN-SOURCE REVENUE

	1981-1982	1982-1983			
		Budget Speech	Preliminary results	Changes compared to Budget Speech	Changes compared to 1981-1982
		(in millions of dollars)			(%)
Personal income tax	6 053.1	6 730.0	6 348.0	– 382.0	4.9
Employers' contribution to the health services fund	1 275.0	1 398.0	1 322.0	– 76.0	3.7
Retail sales tax	1 771.3	2 130.0	1 936.0	– 194.0	9.3
Fuel tax	826.9	1 294.0	1 181.0	– 113.0	42.8
Hydro-Québec	6.9	58.0	7.0	– 51.0	1.4
Other	2 977.0	3 142.0	3 084.0	– 58.0	3.6
Total own-source revenue	**12 910,2**	**14 752,0**	**13 878,0**	**– 874,0**	**7,5**

The Canadian economy is just beginning to emerge from the most serious economic slowdown since the post-war period. The recession which has lasted over a year and a half was particularly severe in Québec. International exports experienced a sharp decline, as did non-residential capital expenditures. Also, short-term interest rates remained at an exceptionally high level throughout the entire first half of 1982, and their impact in Québec was particularly harmful, given the predominance of small and medium-sized firms in the industrial structure. This decline in economic activity caused a major erosion in tax bases, which greatly affected the level of own-source revenue.

The considerable slowdown in the rate of growth of revenue subject to taxation led to a downward change of $382 000 000 in the anticipated yield of personal income tax and of $76 000 000 of employers' contributions to the health services fund.

Weak consumer demand, particularly noticeable in the automobile sector, and attributable to the drop in real personal disposable income and to the fact that the rate of savings remained at a very high level, brought about a $194 000 000 reduction in the yield of the retail sales tax, including the lifting of the tax on natural gas on January 1, 1983, which led to a drop in revenue of $10 000 000.

The fall in demand for diesel fuel, the lowering of the Petroleum Compensation Charge on January 1, 1983, following the drop in the world price of crude oil in Canadian dollars, and increased competition at the service station level explain the $113 000 000 decrease in fuel tax revenues.

Hydro-Québec's dividend stands at $7 000 000 for the 1982-1983 fiscal year. This drop of $51 000 000 compared to the Budget Speech can be explained by the effect of the economic slowdown on Hydro-Québec sales.

SUMMARY OF THE EVOLUTION OF TRANSFERS FROM THE GOVERNMENT OF CANADA

	1981-1982	1982-1983			
		Budget Speech	Preliminary results	Changes compared to Budget Speech	Changes compared to 1981-1982
		(in millions of dollars)			(%)
Equalization	2 317.8	2 887.0	3 072.0	185.0	32.5
Other transfers related to the fiscal arrangements	1 225.8	978.0	1 102.0	124.0	−10.1
Contributions to welfare programs	663.7	742.0	821.0	79.0	23.7
Other programs	364.2	311.0	282.0	−29.0	−22.6
Total Government of Canada transfers	**4 571.5**	**4 918.0**	**5 277.0**	**359.0**	**15.4**

The increase in federal transfers results from the major economic slowdown witnessed in Canada as a whole since the fourth quarter of 1981, a slowdown whose repercussions were felt relatively more acutely in Québec than elsewhere in Canada. This situation resulted in a drop in Québec's fiscal capacity at the level of most tax bases during the 1981-1982 fiscal year.

In 1982-1983 this situation led to an adjustment of equalization entitlements for the 1981-1982 fiscal year of $65 800 000 over the estimate in the Budget Speech. Moreover, for the first three years of application, the new legislation on fiscal arrangements for 1982-1987 provides for a minimum equalization guarantee calculated on the basis of the equalization entitlements attributable to the 1981-1982 fiscal year. Québec qualifies for such a guarantee, so the increase in equalization for 1981-1982 brought about an increase of entitlements relating to 1982-1983 of more than $80 000 000 as compared to the initial estimate. The remaining balance recorded in this source of revenue can be attributed to adjustments relative to the years prior to 1981-1982.

Other transfers related to the fiscal arrangements increased by $124 000 000. This is attributable mainly to adjustments in the financing of health and post-secondary education programs. The fiscal transfer for those programs rose from $971 000 000 to $1 095 000 000. This discrepancy can be explained by an upward change in the basic contribution and a slight reduction in the value of the personal income tax points deducted from the financial contribution.

The increase of $79 000 000 in federal contributions to welfare programs is the result of the combined effect of higher shareable costs, following a major rise in the number of social aid recipients and a reduction in the value of the special abatement of five personal income tax points deducted from the basic contribution.

The $29 000 000 drop in other shared-cost programs derives from the partial absorption of the provision made at the time of the Budget Speech, to take account of the major fluctuations generally seen in this type of revenue. This is the result of shareable costs being higher than estimated for certain grants programs with regard to transportation and to the Canadian Student Loans Plan.

Budgetary Expenditure

Budgetary expenditure for the 1982-1983 fiscal year amounts to $22 290 000 000, an increase of 9.3%, as opposed to 15.9% the previous year.

SUMMARY OF THE EVOLUTION OF EXPENDITURE

	1982-1983		
	Budget Speech	Preliminary results	Changes compared to Budget Speech
	(in millions of dollars)		
Initial estimates	23 285,0	23 285,0	—
Plus:			
— Integration of the operations of the Office des autoroutes	42,0	39,3	− 2,7
— Other supplementary estimates	—	223,0	+223,0
— Overexpenditure on permanent appropriations not provided for in supplementary estimates		48,3	+ 48,3
Less:			
Lapsed appropriations attributable to remuneration cutbacks	−641,0	−511,0	+130,0
Other lapsed appropriations	− 31,0[1]	−794,6	−763,6
Total	**22 655,0**	**22 290,0**	**−365,0**
Total 1981-1982 expenditure		**20 393,4**	
Change in %		**9,3**	

1 Expenditures incurred in advance in 1981-1982.

Expenditures were lower by $365 000 000 than what had been forecast in the Budget Speech. This is because lapsed appropriations more than offset the effects of the adoption by the National Assembly of supplementary appropriations of $262 306 000, a special warrant of $21 000 000 issued by the government to meet additional requirements in social aid benefits, and other overexpenditures on permanent appropriations not provided for in the supplementary appropriations.

In addition to enabling the integration of the operations of the Office des autoroutes du Québec with those of the ministère des Transports, by providing for appropriations of $39 300 000, as had already been planned, last November's supplementary appropriations were intended to offset budgetary requirements which were anticipated with respect to certain expenditure programs, $125 000 000 of which had been set aside for social aid. The remaining supplementary appropriations were needed in particular for the upward change of $40 000 000 in a budget package intended for job creation programs, a $21 900 000 increase in assistance for public transportation, and the $7 200 000 increase in the government's contribution to farm income stabilization insurance.

Further to the adoption of Bill 105, and the subsequent changes that were made, the yield on remuneration cutbacks, forecast at $641 000 000 in the Budget Speech, amount-

ed to $511 000 000. Since there was a full recovery from management staff and professionals in the health sector, the $130 000 000 differential is the sole result of changes in remuneration conditions of unionized and unionizable employees.

On the other hand, interest rates dropped and were kept at a lower level than had been initially forecast. This resulted in lapsed appropriations of some $154 800 000 distributed among several of the largest expenditure items in the government's budget. In this respect, the public debt service amounted to $1 935 700 000, which is $68 800 000 less than had initially been estimated, whereas the government's contribution as an employer, related to the interest applicable to the balance of the retirement plans account, was reduced by $40 500 000. The effect of the winter's public sector strikes on the operating expenditures of the departments and the social affairs and education systems helped bring down expenditures by some $165 000 000. However, this phenomenon also accounted for $51 200 000 of the drop in budgetary revenue, evidence of its impact on the government's tax base.

Furthermore, the cost of services insured by the Régie de l'assurance-maladie shows lapsed appropriations of $107 700 000 — higher by $41 700 000 than what had been forecast in the Budget Speech — reflecting a certain slowdown in the growth of the cost of insured services. As a result of the slowdown in private investments resulting from the economic recession, expenditures of various business assistance programs administered by the ministère de l'Agriculture, des Pêcheries et de l'Alimentation, and the ministère de l'Industrie, du Commerce et du Tourisme were $55 000 000 lower than estimated. The downward change of the cost related to transactions for the school years prior to 1982-1983 also generated lapsed appropriations of $38 000 000 in the areas of public elementary and secondary education.

SUMMARY OF FINANCIAL TRANSACTIONS RELATING TO THE RETIREMENT PLANS (in millions of dollars)

	1978-1979	1979-1980	1980-1981	1981-1982	Preliminary results 1982-1983
1. Budgetary transactions					
Revenue	—	—	—	—	—
Expenditure	−331.2	−732.6	− 895.4	−1 101.1	−1 167.5
Deficit	−331.2	−732.6	− 895.4	−1 101.1	−1 167.5
2. Non-budgetary transactions					
Retirement plans account					
Government contributions	+331.2	+732.6	+ 895.4	+1 101.1	+1 167.5
Contributions from independent employers	+ 24.8	+ 24.6	+ 26.0	+ 26.8	+ 25.7
Employees' contributions[1]	+125.3	+123.9	+ 125.3	+ 143.6	+ 168.0
Total contributions	+481.3	+881.1	+1 046.7	+1 271.5	+1 361.2
Total benefits[2] and other payments	−165.6	−198.3	− 224.4	− 264.2	− 308.6
Surplus	+315.7	+682.8	+ 822.3	+1 007.3	+1 052.6
3. Net financial requirements	− 15.5	− 49.8	− 73.1	− 93.8	− 114.9

N.B. : A (−) sign indicates a financial requirement and a (+) sign, a source of financing.

1 Contributions to retirement plans other than RREGOP. Employee contributions to RREGOP are paid directly to the Caisse de dépôt et placement du Québec without passing through the retirement plans non-budgetary account.

2 Includes the portion of the benefits paid out under RREGOP by the government, and all the benefits paid out under the other plans.

Finally, the balance of lapsed appropriations — set at $340 100 000 — reflects the amount of regular lapsed appropriations generated by the activities of the various departments.

In keeping with one of the main objectives of the government's budgetary policy over the past few years, $1 167 500 000 has been charged to expenditures for current and past service under the retirement plans. The preceding table shows the impact of the retirement plans account on the government's financial transactions since its creation in 1978-1979.

Non-budgetary Transactions

The surplus of non-budgetary transactions amounts to $893 800 000 as compared to the $950 000 000 estimated in the Budget Speech.

SUMMARY OF NON-BUDGETARY TRANSACTIONS, 1982-1983
(in millions of dollars)

	Budget Speech	Preliminary results	Changes
1. Investments, loans and advances			
Enterprises of the gouvernement du Québec			
Share capital and invested capital	− 81,3	− 102,5	− 21,2
Loans and advances	− 100,1	+ 6,9	+ 107,0
Subtotal	− 181,4	− 95,6	+ 85,8
Loans and advances to municipalities, municipal agencies, individuals, corporations and other	− 18,6	− 35,9	− 17,3
Total investments, loans and advances	− 200,0	− 131,5	+ 68,5
2. Retirement plans account	+ 1 085,0	+ 1 052,6	− 32,4
3. Other accounts	+ 65,0	− 27,3	− 92,3
4. Balance	+ 950,0	+ 893,8	− 56,2

N.B.: A (−) sign indicates a financial requirement and a (+) sign, a source of financing.

Changes in investments, loans and advances can be explained primarily by a $21 200 000 increase in investments in government corporations and a $107 000 000 reduction in anticipated loans and investments outstanding as regards these corporations at the end of 1982-1983. Loans and advances to municipalities, municipal agencies, individuals, corporations and others increased by $17 300 000.

As for investments, the government's subscription to the share capital of the Raffinerie de sucre du Québec was increased by $5 000 000 to help refinance the modernization and expansion of the undertaking, and by $11 000 000 for converting the retained earnings of the undertaking into share capital, under the Act respecting the Raffinerie de sucre du Québec, assented to in June 1982. In addition, SOQUIP's operations required $4 000 000 more in invested capital than anticipated.

With respect to loans and advances, the government guaranteed a borrowing made by SIDBEC on the private markets in order to finance accumulated cash losses resulting from the company's involvement in mining operations; SIDBEC reimbursed the government for the advances made during 1982-1983 to meet its cash requirements as well as an advance made in 1980-1981. These transactions reduced the net amount of loans and advances by $88 000 000 as compared to the initial estimate. Furthermore, the transactions related to advances made to REXFOR resulted in a net recovery of $4 300 000, whereas a net increase in advances of $4 700 000 had originally been forecast. This difference can be explained by the postponement of cash payments because of the delay in an investment project, and by a refund to the company of the rent which Rayonier Québec Inc. owed after its plant shut down.

Finally, the account respecting individuals, corporations and others had to be increased, essentially to follow up on a decision by the government to meet Québecair's need for funds in the amount of $11 400 000.

Initially, it was estimated that the surplus in the retirement plans account would amount to $1 085 000 000. This surplus finally came to $1 052 600 000. The reduction results mainly from a $46 500 000 decrease in the government's contributions as an employer, of which $40 500 000 were caused by a drop in the interest rate applicable to the balance of the account and $5 900 000 resulted from a revision of the contributions of employees under various plans. The remainder of the discrepancy can be attributed to a $7 700 000 increase in contributions by employees to plans other than RREGOP and by a drop of $6 400 000 in the benefits paid out of the account.

Transactions related to other non-budgetary accounts essentially represent year-to-year changes in the government's accounts and accrued interest payable or receivable. These changes are normally tied to the overall volume of financial transactions, but can be significant and difficult to forecast from one year to the next. Their level, in fact, depends mainly on the synchronization of collection and disbursement operations. For the 1982-1983 fiscal year, the balance of the other accounts shows a negative net change of $27 300 000 compared to the net positive change of $65 000 000 estimated in the Budget Speech.

This $92 300 000 increase in net financial requirements can first be explained by an increase of $170 100 000 in accounts receivable, resulting primarily from the growth of income and property tax assessments and charges issued, and by an additional $55 100 000 reduction in accounts payable, resulting essentially from faster payment of grants by the ministère de l'Éducation. On the other hand, the amount of cheques issued and still outstanding by March 31 increased by $85 100 000, and accrued interest payable rose by $49 600 000, partially offsetting the deterioration.

Repayments of Borrowings

Borrowings repaid in 1982-1983 are estimated at $445 600 000 as compared to $1 013 200 000 in 1981-1982. These preliminary results are lower by $254 400 000 than what was estimated in the Budget Speech.

This reduction in borrowings repaid is due primarily to the renewal for a term exceeding the 1982-1983 fiscal year of a draft of $150 000 000 U.S. ($177 500 000) on a syndicated loan, repayment of which had been planned for in 1982-1983 in last May's Budget. The remaining balance is related to a marked slowdown in demand for redemption of savings

bonds, the interest rate in force being more attractive than the rates prevailing on competitive financial instruments.

It is estimated that, during 1982-1983, $161 300 000 in savings bonds were redeemed, and the total outstanding value as at March 31, 1983, stands at $1 495 200 000.

TOTAL SAVINGS BONDS OUTSTANDING
(in millions of dollars)

Total outstanding as at March 31, 1982		975,9
Plus: 1981 Issue	2,4[1]	
1982 Issue	678,2[2]	680,6
Less: Redemptions		161,3
Total outstanding as at March 31, 1983		1 495,2

1 Amount received after March 31, 1982, from the issue of $230 896 150.

2 Amount received as at March 31, 1983, from the issue of $680 156 100.

2. FINANCING

Borrowings by the gouvernement du Québec in 1982-1983 amounted to $2 761 900 000. This is the second consecutive year they have dropped: in 1980-1981 the government borrowed $3 352 900 000 and in 1981-1982 it borrowed $2 951 600 000. During the 1982-1983 fiscal year, the government's financing was marked by a successful issue of savings bonds which, combined with an increase in the issue of 91 and 182-day Treasury bills, greatly contributed to alleviating the need to borrow in foreign currencies.

Although in 1982-1983 several Canadian provinces also issued 91-day Treasury bills, and despite the considerable increase in the amount of Canadian Treasury bills auctioned every week, the gouvernement du Québec was able to increase its weekly sales of 91-day Treasury bills from $55 000 000 at the beginning of the year to $75 000 000 at year-end. A net amount $200 000 000 was thus issued on that market during the year. Also, the increase from $35 000 000 to $45 000 000 between the beginning and the end of the fiscal year of monthly auctions of 182-day Treasury bills yielded an additional $65 000 000. Finally, a net amount of $50 000 000 in Treasury bills of different maturity dates was issued in the form of private investments. Financing through Treasury bills in 1982-1983 brought the total outstanding to $1 325 000 000 at the end of the fiscal year. This represents 8.2% of the government's debt at March 31, 1983 — 0.9% more than the previous year.

The drop in interest rates, plus greater use of Treasury bills as a means of financing for the Canadian government, contributed to a gradual narrowing of the spreads in the cost of financing between Treasury bills of the Canadian government and those of the gouvernement du Québec. At the beginning of the fiscal year, these spreads were on the average 50 basis points while during the final three months of the fiscal year they were at the average level of 13 basis points.

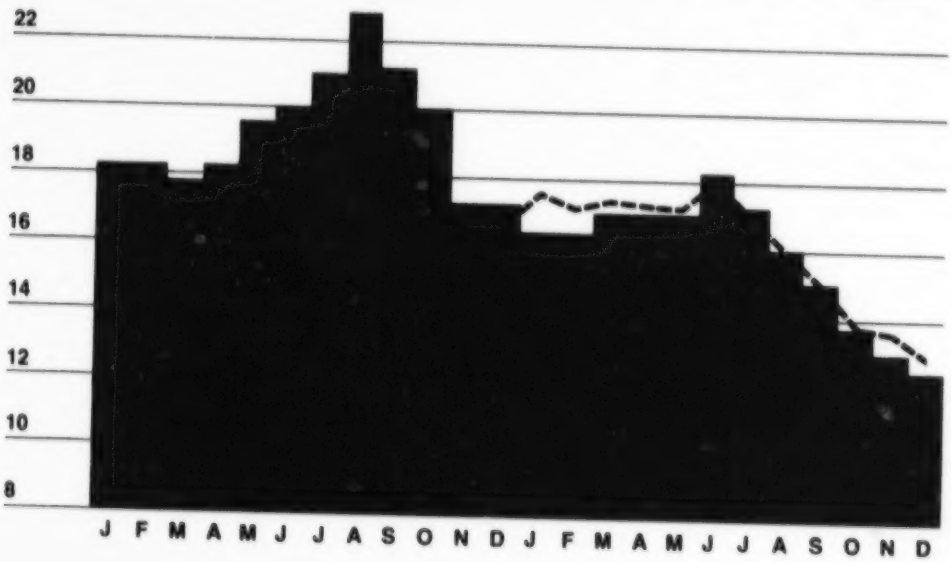
The 1982 savings bond campaign, moreover, confirmed that this type of financial instrument is an attractive means of investment for Quebecers. Québec savings bonds yielded $680 600 000 in 1982-1983 — almost three times the $231 100 000 yielded the previous year — despite the fact that, the 1982 issue starting when interest rates seemed

to have begun their downward slide, it had to be cut short by four days. Savings bonds outstanding at March 31, 1983, of $1 495 200 000, represent 9.2% of the government's direct debt as compared to 7.0% the previous year.

Also, the government borrowed less on the foreign money markets during 1982-1983 than it did the preceding year. Borrowings on these markets totalled $761 000 000, $150 800 000 of which were in the form of private borrowings: $130 100 000 less than in 1981-1982. No additional drafts were made in 1982-1983 on the syndicated loans available in foreign currency, whereas $177 500 000 were drawn last year. For the first time, the gouvernement du Québec issued securities payable in Dutch guilders and in ECUs. An amount of $245 600 000 was also borrowed in U.S. currency, $183 700 000 on the U.S. Eurodollar market. In addition, borrowings of $133 400 000 were made on the Canadian Eurodollar market.

The government also borrowed $1 005 300 000 on the domestic market, as bonds or private investments — $26 600 000 less than the previous year. Of this amount

YIELD ON QUÉBEC SECURITIES AND OTHER SECURITIES — CANADA, 1982 AND 1983



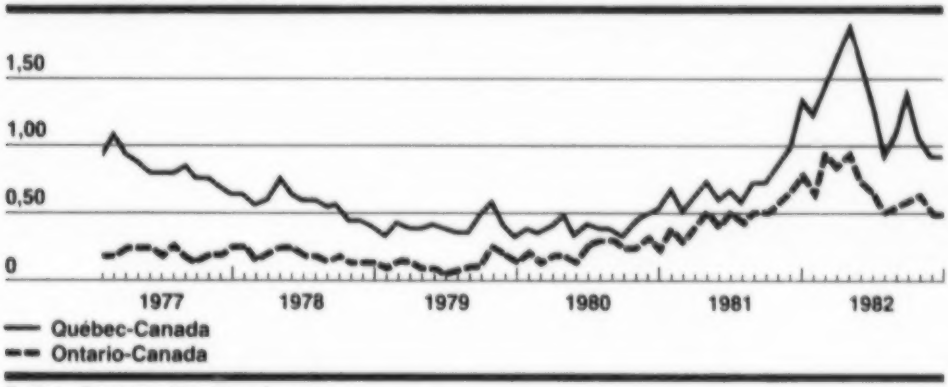
Prime bank loan rate.
Rate on 3-month Québec Treasury bills.
Rate on Québec long-term bonds.

Sources: Bank of Canada.
Dominion Securities Ames.
Ministère des Finances du Québec.

$825 000 000 was financed by the Caisse de dépôt et placement du Québec, the rest mainly through an issue of $125 000 000 on the Canadian public market and a private investment of $50 000 000.

Although, during the preceding fiscal year, the yield spread tended to grow between the gouvernement du Québec's long-term securities and those of the federal government, things changed in 1982-1983. Its deficit compelled the Canadian government to tap even more the Canadian market. This, along with the drop in interest rates and the fact that the gouvernement du Québec made only one public issue in 1982-1983, contributed greatly to bringing the yield spread closer to what it had been in the past.

YIELD SPREAD ON QUÉBEC LONG-TERM SECURITIES AND OTHER SECURITIES — CANADA



Source: Dominion Securities Ames.

3. THE DEBT

At March 31, 1983, the debt of the gouvernement du Québec, including Treasury bills, amounted to an estimated $16 180 000 000. The proportion of the total debt payable in Canadian dollars increased slightly during 1982-1983, from 74.3% to 74.9%, with that in foreign currency dropping to 25.1%.

Because of the situation on financial markets, conventional bonds issued in 1982-1983 continued to bear relatively short terms of maturity. The average maturity of the government debt, which was 9.9 years at March 31, 1982, fell to 9.1 years during 1982-1983.

GOVERNMENT DEBT
ESTIMATE AT MARCH 31, 1983[1]

Currency of issue	Millions of dollars	Proportion of total (%)
Canadian dollars	12 119	74,9
U.S. dollars	2 630	16,3
German marks	454	2,8
French francs	15	0,1
Japanese yen	461	2,8
European units of account	74	0,5
Swiss francs	126	0,8
Pounds sterling	197	1,2
ECUs	58	0,3
Dutch guilders	46	0,3
	16 180	**100,0**

1 Not including temporary borrowings.

Note: The debt in foreign currency is expressed in the Canadian equivalent on the date of borrowings.

4. BORROWINGS AND INVESTMENTS IN THE PUBLIC SECTOR

During the 1982 calendar year, long-term borrowings by the public sector totalled $6 986 000 000, an increase of $563 000 000 over the previous year. The rise of $202 000 000 in gross borrowings by educational institutions, as well as health and welfare institutions, is in large part due to the delay experienced in carrying through the borrowing program for 1981. The decline in borrowings by government corporations can be largely traced to the Société d'habitation du Québec which had to a certain extent made up for lost time in its 1981 borrowings.

LONG-TERM PUBLIC SECTOR BORROWINGS

	Calendar year					
	1977	1978	1979	1980	1981	1982[1]
	(in millions of dollars)					
Gross borrowings						
Government[2]	1 337	1 413	1 521	2 734	2 336	2 841
Educational institutions	304	271	232	193	135	244
Health and welfare institutions	79	84	45	90	149	242
Hydro-Québec[2]	1 097	1 542	1 783	2 156	2 257	2 277
Other government corporations	77	37	99	100	501	302
Municipalities, urban communities and transport commissions	967	712	666	779	1 045	1 080
Total	**3 861**	**4 059**	**4 346**	**6 052**	**6 423**	**6 986**
Repayments	**833**	**933**	**1 269**	**1 810**	**2 104**	**2 231**
Net borrowings	**3 028**	**3 126**	**3 077**	**4 242**	**4 319**	**4 755**

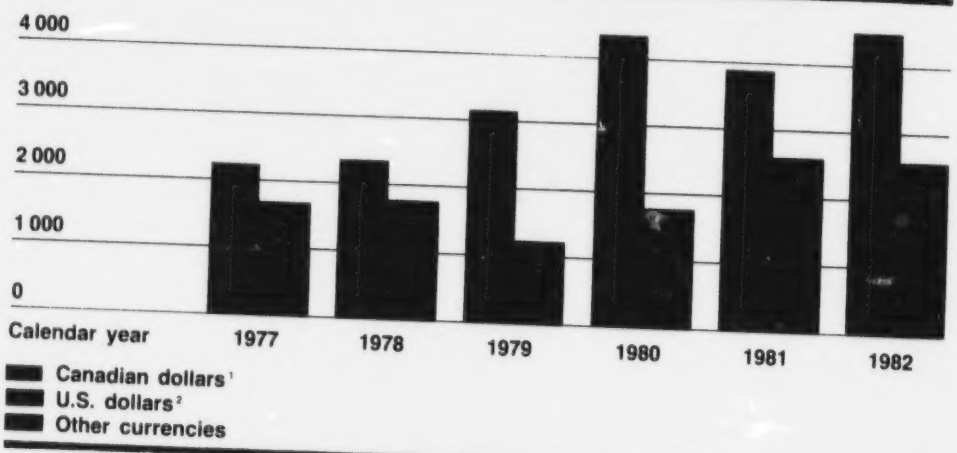
1 Preliminary results.

2 Amounts received during the calendar year, excluding less-than-one-year net borrowings as debt transactions, which explains the difference between this list and the list of borrowings given later in this text.

Source: Ministère des Finances du Québec.

As the graph below shows, gross borrowings payable in Canadian dollars amounted to $4 448 000 000 in 1982, over 60% of the public sector total. Borrowings payable in U.S. dollars, at $1 133 000 000, accounted for 16% of the total, with those in other currencies registering 20%, at $1 405 000 000.

GROSS PUBLIC SECTOR BORROWINGS
BY CURRENCY
(in millions of dollars)



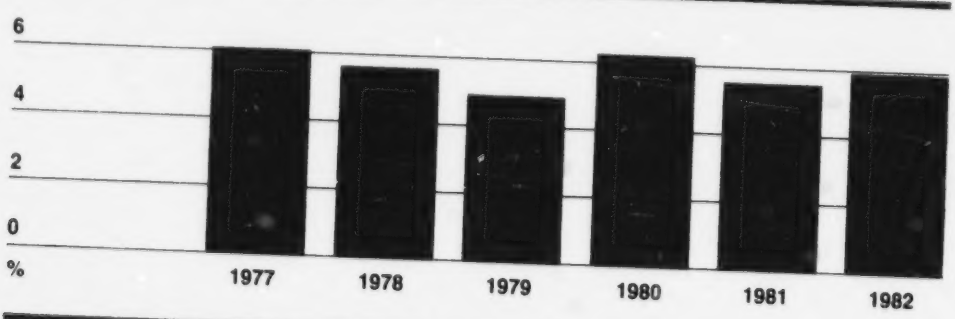
Source: Ministère des Finances du Québec.

1 Including Eurobonds made payable in Canadian dollars in the amount of $50 000 000 in 1979, $100 000 000 in 1980, $250 000 000 in 1981 and $896 000 000 in 1982.

2 Including Eurobonds made payable in U.S. dollars in the amount of $596 000 000 in 1977, $1 238 000 000 in 1978, $431 000 000 in 1979, $539 000 000 in 1980, $811 000 000 in 1981 and $440 000 000 in 1982.

Considering repayments and refinancing, net public sector borrowings are estimated at $4 755 000 000. As the graph below illustrates, the ratio of net borrowings to the gross domestic product was 5.79% in 1982, similar to that experienced throughout the period.

NET PUBLIC SECTOR BORROWINGS
AS A PERCENTAGE OF GROSS DOMESTIC PRODUCT



Source: Ministère des Finances du Québec.

PUBLIC SECTOR INVESTMENTS

	Calendar year					
	1977	1978	1979	1980	1981	1982[1]
	(in millions of dollars)					
Government[2]	685	700	749	712	802	791
Educational institutions[3]	223	256	218	213	227	209
Health and welfare institutions[3]	136	83	124	157	169	139
Hydro-Québec[4]	1 950	2 588	2 817	2 589	2 643	2 542
Other government corporations[4]	656	429	448	501	714	548
Municipalities and municipal agencies[5]	888	828	823	845	961	918
	4 538	**4 884**	**5 179**	**5 017**	**5 516**	**5 147**

1 Preliminary results.

2 Government investments include its capital expenditures as well as grants and loans for investments made available to economic agents outside the public sector. Financial investments within the public sector are excluded.
Source: The Estimates and the annual Public Accounts.

3 Investments by educational institutions, as well as health and welfare institutions, include only capital expenditures for new projects, as defined for the purposes of economic accounting.
Sources: Investissements publics au Québec par région administrative, B.S.Q.; Investissements privés et publics au Québec, B.S.Q.

4 Government corporation investments correspond to an increase in long-term assets. Investments of the Société québécoise d'assainissement des eaux are included under "municipalities and municipal agencies".
Source: Annual financial statements of government corporations.

5 Investments by municipalities, urban and regional communities and transport commissions and corporations include only capital expenditures for new projects, as defined for purposes of economic accounting.

Sources: Investissements publics au Québec par région administrative, B.S.Q.; Investissements privés et publics au Québec, B.S.Q., Ministère des Finances du Québec estimates for 1980, 1981 and 1982.

Public sector investments dropped 6.7% from their 1981 level, to $5 147 000 000. This decline is, on closer examination, mainly attributable to lower investments on the part of Hydro-Québec and other government corporations which had shown much higher investments the year before.

Given the relationship between the government's financial policy and the position of the sectors under its jurisdiction, the comparative evolution of borrowings and investments must take into consideration the overall balance of the public sector. Total net public sector borrowings include not only the net long-term borrowings mentioned above, but also less-than-one-year net borrowings as debt transactions, including government Treasury bills, as well as internal borrowings from the government retirement plans account surplus.

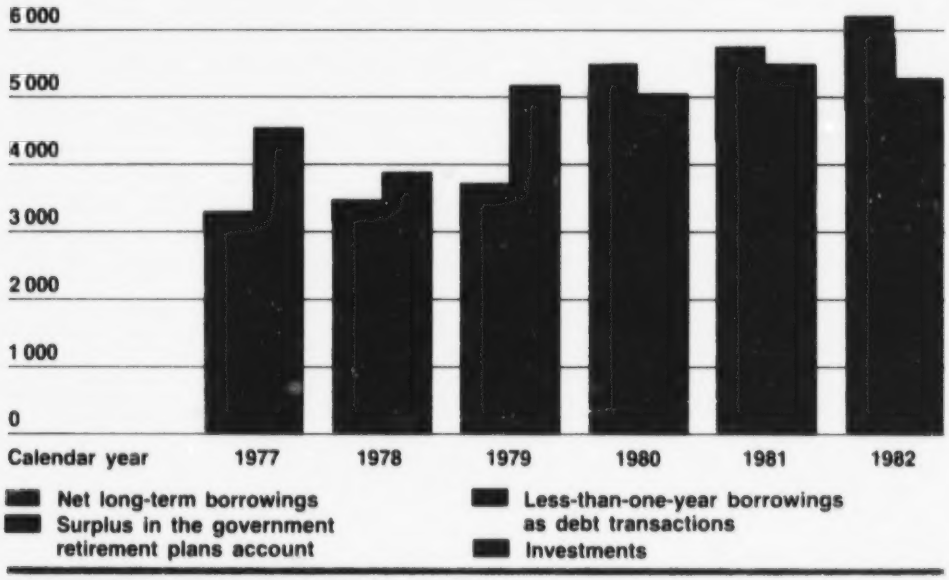
TOTAL NET BORROWINGS AND INVESTMENTS BY THE PUBLIC SECTOR

	Calendar year					
	1977	1978	1979	1980	1981	1982[1]
	(in millions of dollars)[1]					
Net long-term borrowings	3 028	3 126	3 077	4 242	4 319	4 755
Less-than-one-year net borrowings as debt transactions	—	—	—	415	395	309[2]
Surplus in the government retirement plans account	244	303	591	787	961	1 041
Total net borrowings	3 272	3 429	3 668	5 444	5 675	6 105
Investments	4 538	4 884	5 179	5 017	5 516	5 147
Ratio	0,72	0,70	0,71	1,09	1,03	1,19

1 Preliminary results.
2 Including $300 000 000 in government Treasury bills.
Source: Ministère des Finances du Québec.

Total net borrowings by the public sector in 1982 are estimated at $6 105 000 000, an increase of $430 000 000 over 1981. Considering the drop in investments, the ratio of total net borrowings to investments rose. Nevertheless, for the period 1977 through 1982, that proportion remains under one.

TOTAL NET BORROWINGS AND INVESTMENTS BY THE PUBLIC SECTOR (in millions of dollars)



Sources: Ministère des Finances du Québec.
Investissements privés et publics au Québec, B.S.Q.
The Estimates and the annual Public Accounts.
Annual financial statements of government corporations.

GOUVERNEMENT DU QUÉBEC
STATEMENT OF FINANCIAL TRANSACTIONS
SUMMARY
(in millions of dollars)

	1976-1977	1977-1978	1978-1979	1979-1980	1980-1981	1981-1982	Preliminary results 1982-1983[1]
1. Budgetary transactions							
Revenue	+ 9 715.9	+ 11 145.3	+ 11 899.0	+ 13 276.7	+ 14 694.0	+ 17 481.7	+ 19 155.0
Expenditure	− 10 717.4	− 12 045.2	− 13 387.2	− 15 110.3	− 17 592.0	− 20 393.4	− 22 290.0
Deficit	− 1 001.5	− 899.9	− 1 488.2	− 1 833.6	− 2 898.0	− 2 911.7	− 3 135.0
2. Non-budgetary transactions							
Investments, loans and advances	− 182.5	− 248.1	− 255.0	− 202.7	− 40.4	− 72.9	− 131.5
Retirement plans account	+ 186.4	+ 264.4	+ 315.7	+ 682.8	+ 822.3	+ 1 007.3	+ 1 052.6
Other accounts	− 335.5	− 287.4	+ 165.9	− 16.1	− 196.6	− 169.0	− 27.3
Balance	− 331.6	− 271.1	+ 226.6	+ 464.0	+ 585.3	+ 765.4	+ 893.8
3. Net financial requirements	− 1 333.1	− 1 171.0	− 1 261.6	− 1 369.6	− 2 312.7	− 2 146.3	− 2 241.2
4. Financing							
Change in cash position	+ 330.7	+ 372.4	+ 49.6	+ 229.3	− 456.1	+ 207.9	− 75.1
New borrowings	+ 1 354.6	+ 1 042.3	+ 1 575.5	+ 1 648.9	+ 3 352.9	+ 2 951.6	+ 2 761.9
Less: Repayment of borrowings	− 352.2	− 243.7	− 363.5	− 508.6	− 584.1	− 1 013.2	− 445.6
Total	**+ 1 333.1**	**+ 1 171.0**	**+ 1 261.6**	**+ 1 369.6**	**+ 2 312.7**	**+ 2 146.3**	**+ 2 241.2**

N.B. A (−) sign indicates a financial requirement and a (+) sign, a source of financing.
For comparison purposes, the financial data shown are based on the budgetary and financial structure in force for the 1983-1984 fiscal year.

1. The financial data for 1982-1983 are determined on the basis of the results recorded for the period of April 1982 to March 1983 and of an estimate as at April 15, 1983, of revenue and expenditure posted to the lapsed fiscal year in April 1983, according to the accounting practices in effect.

GOUVERNEMENT DU QUÉBEC
STATEMENT OF FINANCIAL TRANSACTIONS
BUDGETARY REVENUE
(in millions of dollars)

	1976-1977	1977-1978	1978-1979	1979-1980	1980-1981	1981-1982	Preliminary results 1982-1983
1. Income and property taxes							
Personal income tax	3 247.1	3 903.2	4 227.3	4 621.6	5 315.9	6 053.1	6 348.0
Employer contributions to health services fund	368.9	437.9	482.9	521.1	601.9	1 275.0	1 322.0
Corporate taxes[1]	588.9	541.6	624.9	765.2	913.4	1 010.5	890.0
Succession duties	27.4	24.6	25.0	41.9	39.8	37.8	46.0
Property tax	—	—	—	15.7	—	—	—
	4 232.3	4 907.3	5 360.1	5 965.5	6 871.0	8 376.4	8 606.0
2. Consumer taxes							
Retail sales	1 341.1	1 423.1	1 366.0	1 621.0	1 690.2	1 771.3	1 936.0
Fuel	428.5	451.0	445.9	445.1	492.7	826.9	1 181.0
Tobacco	82.8	82.2	136.0	139.0	179.3	228.6	273.0
Meals and hotel	125.3	150.1	154.3	178.5	209.7	236.6	250.0
Other[2]	32.4	39.5	47.4	55.6	62.0	79.2	89.0
	2 010.1	2 145.9	2 149.6	2 439.2	2 633.9	3 142.6	3 729.0
3. Duties and permits							
Motor vehicles	163.0	168.4	186.7	191.0	193.7	224.7	276.0
Alcoholic beverages	54.6	55.1	57.1	57.9	55.7	62.8	58.0
Natural resources[3]	50.9	78.7	89.9	95.0	124.1	143.2	83.0
Pari-mutuel	22.2	23.9	24.9	26.1	33.9	33.3	32.0
Other	29.8	27.7	35.8	48.0	52.2	51.9	65.0
	320.5	353.8	394.4	418.0	459.6	515.9	514.0
4. Miscellaneous							
Sale of goods and services	136.1	152.6	152.2	166.3	166.7	181.6	206.0
Interest	148.1	118.7	138.6	154.3	184.8	221.6	289.0
Fines, confiscations and refunds	52.8	57.8	51.2	49.8	68.3	90.2	90.0
	337.0	329.1	342.0	370.4	419.8	493.4	585.0
5. Transfers from government corporations							
Société des alcools du Québec	165.0	180.0	215.0	160.0	203.0	225.0	275.0
Société des loteries et courses du Québec	70.1	73.3	85.2	100.0	135.0	150.0	162.0
Other government corporations	20.0	20.0	20.0	—	—	6.9	7.0
	255.1	273.3	320.2	260.0	338.0	381.9	444.0
Total own-source revenue	**7 155,0**	**8 009,4**	**8 566,3**	**9 453,1**	**10 722,3**	**12 910,2**	**13 878,0**
6. Government of Canada transfers							
Equalization	1 145.4	1 277.5	1 340.3	1 708.6	1 847.2	2 317.8	3 072.0
Other transfers related to the fiscal arrangements	845.0	1 197.4	1 201.6	1 198.7	1 189.2	1 225.8	1 102.0
Contributions to welfare programs	389.5	365.1	408.3	533.9	586.7	663.7	821.0
Other programs	181.0	295.9	382.5	382.4	348.6	364.2	282.0
Total Government of Canada transfers	**2 560,9**	**3 135,9**	**3 332,7**	**3 823,6**	**3 971,7**	**4 571,5**	**5 277,0**
Total budgetary revenue	**9 715,9**	**11 145,3**	**11 899,0**	**13 276,7**	**14 694,0**	**17 481,7**	**19 155,0**

1 Includes tax on corporate profits, on capital and on insurance premiums
2 Includes tax on telecommunications and on electronic advertising
3 Includes forest, mining and water resources

GOUVERNEMENT DU QUÉBEC
STATEMENT OF FINANCIAL TRANSACTIONS
BUDGETARY EXPENDITURE
(in millions of dollars)

	1976-1977	1977-1978	1978-1979	1979-1980	1980-1981	1981-1982	Preliminary results 1982-1983
Affaires culturelles	43,8	59,5	73,8	79,7	101,9	109,9	120,4
Affaires intergouvernementales	21,7	30,1	36,6	42,3	47,0	44,8	45,9
Affaires municipales	167,6	171,2	215,4	252,0	339,4	410,7	420,8
Affaires sociales	2 613,3	2 818,3	3 185,8	3 503,1	3 905,3	4 544,2	5 193,8
Agriculture, Pêcheries et Alimentation	211,1	235,4	258,1	293,9	347,1	373,9	421,5
Assemblée nationale	38,4	29,0	47,3	59,4	96,2	71,8	56,3
Commerce extérieur	3,6	4,3	5,6	5,3	5,4	5,9	5,6
Commission administrative du régime de retraite	26,1	40,5	57,1	390,6	444,8	560,0	607,3
Communautés culturelles et Immigration	15,2	17,2	24,3	32,4	44,2	39,7	44,5
Communications	67,3	75,2	86,6	102,1	123,5	139,5	154,7
Conseil exécutif	33,8	88,7	74,1	80,5	105,1	106,6	124,0
Conseil du trésor	2,6	3,1	4,0	5,7	5,8	7,3	9,3
Éducation	3 011,4	3 477,9	3 694,6	3 965,6	5 083,8	5 942,7	6 096,3
Énergie et Ressources	115,1	126,9	159,0	180,9	205,1	254,6	249,8
Environnement	33,0	40,7	48,0	58,6	83,0	89,8	112,0
Finances	563,9[1]	678,3[1]	811,0[1]	956,8[1]	1 269,7	1 731,5	1 988,4
Fonction publique	65,3	58,2	62,6	71,0	84,3	133,2	145,6
Habitation et Protection du consommateur	71,2	89,9	115,8	138,8	168,9	217,6	260,0
Industrie, Commerce et Tourisme	86,0	99,3	106,2	111,3	134,1	140,3	157,4
Justice	317,2	321,4	360,5	414,9	478,5	560,7	599,3
Loisir, Chasse et Pêche	115,5	156,9	159,1	179,2	190,8	191,6	205,5
Main-d'oeuvre et Sécurité du revenu	854,3	985,6	1 096,5	1 258,1	1 474,1	1 631,0	2 025,4
Régie de l'assurance-maladie du Québec	603,8	705,2	787,0	932,6	1 083,7	1 173,4	1 206,2
Revenu	453,1	481,2	566,5	473,7	189,8	200,8	219,1
Transports	1 037,9	1 062,4	1 126,8	1 251,5	1 305,2	1 391,4	1 482,3
Travail	6,7	6,4	9,5	19,0	13,7	41,3	37,4
Travaux publics et Approvisionnement	138,5	182,4	215,4	251,3	261,6	279,2	301,2
Total budgetary expenditure	**10 717,4**	**12 045,2**	**13 387,2**	**15 110,3**	**17 592,0**	**20 393,4**	**22 290,0**

1 Includes the variation in the provision for bad debts amounting to $40 599 000 in 1976-1977, $38 934 000 in 1977-1978, $22 041 000 in 1978-1979 and $31 516 000 in 1979-1980. Starting in 1980-1981, this variation is entered directly under the net debt.

GOUVERNEMENT DU QUÉBEC
STATEMENT OF FINANCIAL TRANSACTIONS
NON-BUDGETARY TRANSACTIONS
(in millions of dollars)

	1976-1977	1977-1978	1978-1979	1979-1980	1980-1981	1981-1982	Preliminary results 1982-1983
1. Investments, loans and advances							
ENTERPRISES OF THE GOUVERNEMENT DU QUEBEC SHARE CAPITAL AND INVESTED CAPITAL							
Sidbec	- 53.0	- 84.8	- 81.8	- 162.8	- 55.2	- 20.4	—
Societe generale de financemen (S.G.F.)	- 24.5	- 9.7	- 10.0	—	- 25.0	- 33.0	- 40.0
Societe nationale de l amiante (S.N.A.)	—	—	- 4.7	- 5.7	- 19.7	- 6.8	- 12.2
Societé quebecoise d exploration miniere (SOQUEM)	- 7.6	- 3.4	- 9.9	- 18.9	- 24.5	—	—
Societe quebecoise d initiatives agro-alimentaires (SOQUIA)	- 2.9	- 7.0	- 3.0	- 19.0	- 3.0	—	- 5.0
Societe quebecoise d initiatives petrolieres (SOQUIP)	- 7.5	- 9.0	- 15.5	- 15.7	- 9.8	- 22.5	- 26.5
Other	- 14.4	- 5.5	- 6.0	- 37.0	- 36.5	- 3.6	- 18.8
	- 109.9	- 119.4	- 130.9	- 259.1	- 173.7	- 86.3	- 102.5
LOANS AND ADVANCES							
Office du crédit agricole du Quebec	- 41.5	- 55.6	- 33.5	+ 60.2	+ 53.8	+ 47.2	+ 16.5
Sidbec	—	- 27.1	- 25.0	+ 52.1	- 10.0	- 1.4	- 8.0
Societe d'habitation du Quebec (S.H.Q.)	- 6.6	- 17.1	- 35.0	- 39.8	+ 1.3	+ 7.2	1.2
Other	- 8.1	- 24.8	- 24.3	- 0.3	+ 98.4	- 7.7	- 0.4
	- 56.2	- 124.6	- 117.8	+ 72.2	+ 143.5	+ 45.3	+ 6.9
Total enterprises of the gouvernement du Quebec	- 166.1	- 244.0	- 248.7	- 186.9	- 30.2	- 41.0	- 95.6
MUNICIPALITIES AND MUNICIPAL AGENCIES, INVIDIDUALS, CORPORATIONS AND OTHER	- 10.5 - 5.9	- 1.1 - 3.0	+ 1.0 - 7.3	+ 0.7 - 16.5	+ 1.4 - 11.6	+ 1.5 - 33.4	+ 1.6 - 37.5
Total investments, loans and advances	- 182.5	- 248.1	- 255.0	- 202.7	- 40.4	- 72.9	- 131.5

GOUVERNEMENT DU QUÉBEC
STATEMENT OF FINANCIAL TRANSACTIONS
NON-BUDGETARY TRANSACTIONS (Cont'd.)
(in millions of dollars)

	1976-1977	1977-1978	1978-1979	1979-1980	1980-1981	1981-1982	Preliminary results 1982-1983
2. Retirement plans account							
Employer and employee contributions							
Contributions by the government as an employer:							
RREGOP							
Current service	+203.2	+262.8	+273.8	+304.1	+ 388.5	+ 418.6	+ 354.7
Interest	—	—	+ 54.0	+ 87.6	+ 130.8	+ 192.0	+ 259.6
Other plans							
Current service	+ 3.1	+ 3.4	+ 3.4	+168.9	+ 169.6	+ 194.8	+ 187.7
Past service	—	—	—	+172.0	+ 172.7	+ 224.3	+ 245.6
Interest	—	—	—	—	+ 33.8	+ 71.4	+ 119.9
Total	+206.3	+266.2	+331.2	+732.6	+ 895.4	+1 101.1	+1 167.5
Independent employers							
Current service	+ 13.4	+ 6.4	+ 6.4	+ 6.6	+ 8.0	+ 8.8	+ 7.7
Past service	—	+ 24.6	+ 18.4	+ 18.0	+ 18.0	+ 18.0	+ 18.0
Total	+ 13.4	+ 31.0	+ 24.8	+ 24.6	+ 26.0	+ 26.8	+ 25.7
Employee contributions	+ 81.5	+103.7	+125.3	+123.9	+ 125.3	+ 143.6	+ 168.0
Total contributions	+301.2	+400.9	+481.3	+881.1	+1 046.7	+1 271.5	+1 361.2
Benefits and other payments							
Benefits and refunds	- 87.3	-119.2	-142.8	-176.5	- 203.7	- 238.4	- 287.6
Other outlays	- 27.5	- 17.3	- 22.8	- 21.8	- 20.7	- 25.8	- 21.0
Total	-114.8	-136.5	-165.6	-198.3	- 224.4	- 264.2	- 308.6
Total retirement plans account	+186.4	+264.4	+315.7	+682.8	+ 822.3	+1 007.3	+1 052.6
3. Other accounts							
Cash and negotiable securities in hand and outstanding deposits	- 3.8	- 34.1	+ 9.8	- 4.3	+ 7.5	+ 0.7	+ 6.3
Outstanding cheques	+ 34.8	- 14.7	+ 37.7	+ 16.3	+ 21.1	- 90.4	+ 126.1
Clearing accounts for collected taxes	+ 24.8	+ 36.0	+ 13.4	+ 5.8	+ 8.6	+ 46.7	+ 6.5
Accounts receivable	-205.1	-110.8	- 3.0	-197.0	- 106.3	- 409.3	- 216.1
Accrued interest receivable	+ 1.9	- 5.3	- 12.7	- 0.5	+ 0.5	+ 1.7	+ 5.9
Advances from the trust funds	+ 3.5	+ 0.7	+ 4.7	—	+ 4.5	- 0.7	+ 4.5
Accounts payable	-219.8	-184.7	+ 83.0	+112.8	- 273.9	+ 183.2	- 155.1
Accrued interest payable	+ 28.2	+ 25.5	+ 33.0	+ 50.8	+ 141.4	+ 99.1	+ 194.6
Total other accounts	-335.5	-287.4	+165.9	- 16.1	- 196.6	- 169.0	- 27.3
Total non-budgetary transactions	**-331.6**	**-271.1**	**+226.6**	**+464.0**	**+ 585.3**	**+ 765.4**	**+ 893.8**

LIST OF BORROWINGS BY THE GOUVERNEMENT DU QUÉBEC IN 1982-1983

Amount in Canadian dollars[1]	Face value in foreign currency	Interest rate[2]	Date of issue	Date of maturity	Price to buyer	Yield to buyer[3]
	(in millions)	%			$	%
$ 50,0		16,50*	April 15	1989-04-15	100,00	15,87
33,4		16,29*[4]	June 14	1988/92-06-14	66,81	15,67
2,4[5]		19,50/10,50*	June 1	1996-06-01	100,00	—
678,2[6]		16,50/10,50*	June 1	1997-06-01	100,00	—
55,6	25,0 £	15,00	July 9	1992-07-09	100,00	15,00
150,0[7]		17,20	July 30	1988-05-01	100,00	17,20
64,2	30,0 £	14,50*	August 15	1989-08-15	100,00	14,01
98,1	20 000,0 Yen	8,70	August 27	1988/92-08-27	100,00	8,70
50,0		16,75*	September 1	1988-09-01	100,00	16,10
125,0[7]		15,25	September 8	1989-09-08	100,00	15,25
61,9	50,0 É.U.	14,25*	October 7	1989-09-22	98,25	14,21
150,0[7]		14,45	October 18	1989-04-18	100,00	14,45
183,7	150,0 É.U.	13,00*	November 1	1990-11-01	100,00	12,60
150,0[7]		12,75	November 10	1987-11-10	100,00	12,75
50,0		13,75	November 22	1992-11-23	100,00	13,75
75,0 [7]		12,75	December 22	1992-12-22	99,75	12,79
85,0		12,75	December 22	1992-12-22	99,75	12,79
40,0		13,25	December 22	2002-12-22	99,30	13,35
60,8	100,0 S. Fr.	5,75*	December 29	1985/92-12-29	100,00	5,67
45,6	100,0 NGL	7,50*	February 15	1988-02-15	99,00	7,61
57,7	50,0 ECUs	11,50*	March 10	1989-03-10	100,00	11,19
125,0[7]		11,55	March 15	1988-06-15	100,00	11,55
50,0[7]		12,35	March 15	1993-03-15	100,00	12,35
5,3[8]		Miscella-neous	Miscella-neous	2002 2003	100,00	Miscella-neous
315,0[9]		—	Miscella-neous	Miscella-neous	Miscella-neous	Miscella-neous
$2 761,9						

* Interest payable annually

1 Canadian equivalent of face value on the date of borrowing for loans in foreign currency.

2 Interest payable semi-annually, except that marked with an asterisk, which is payable annually.

3 Yield to buyer is determined on the basis of interest payable every six months.

4 Effective rate for the buyer. Nominal interest rate is 8.50%, with total face value upon maturity set at $50 000 000 for paid-up capital of $33 400 000.

5 Amount cashed in 1982-1983, from the June 1, 1981, savings bond issue. The interest rate on these bonds was set at 19½% from June 1, 1982, to September 30, 1982, 16½% from October 1, 1982, to June 1, 1983, and 10½% thereafter to June 1, 1996.

6 Amount cashed at March 31, 1983, from the June 1, 1982, savings bond issue. The interest rate on these bonds is 16½% to June 1, 1983, and 10½% thereafter until June 1, 1997.

7 The Caisse de dépôt et placement du Québec subscribed fully or partly for these bond issues.

8 Borrowed from the Government of Canada under the Canada Pension Plan.

9 Net Québec Treasury bills issued between April 1, 1982, and March 31, 1983.

N.B. The gouvernement du Québec made credit agreements with various international banks and financial institutions for $1 250 000 000 U.S. and $1 150 000 000. At March 31, 1983, balances available under these two credit agreements amounted to $400 000 000 U.S. and $1 150 000 000.

LIST OF BORROWINGS BY HYDRO-QUÉBEC IN 1982

Amount in Canadian dollars[1]	Face value in foreign currency	Interest rate[2]	Date of issue	Date of maturity	Price to buyer	Yield to buyer[3]
	(in millions)	%			$	%
$ 239,6	200,0 U.S.	16,625	January 15	1992-01-15	99,75	16,68
100,0		16,125	January 21	1987-01-21	100,00	16,125
121,7	100,0 U.S.	16,25*	February 15	1988-02-15	100,00	15,64
63,7	100,0 S.Fr.	6,75*	February 18	1986/92-02-18	99,50	6,71
50,0		16,50*	March 15	1989-03-15	100,00	15,87
75,9	150,0 DM	10,50*	April 15	1992-04-15	99,75	10,28
50,0		16,50*	May 15	1989-05-15	100,00	15,87
63,6	50,0 ECUs	13,50*	June 1	1989-06-01	100,00	13,07
154,7	300,0 DM	10,25*	June 30	1988/92-06-30	100,00	10,00
71,1	150,0 NGL	11,125*	July 1	1988/97-07-01	100,00	10,83
58,1	100,0 S.Fr.	6,625*	August 11	1986/92-08-11	100,00	6,52
186,2	150,0 U.S.	14,625	August 15	1992-08-15	99,05	14,81
100,0[4]		16,90	August 20	1993-02-20	100,00	16,90
181,1	300,0 S.Fr.	6,875*	August 24	1987-08-24	100,00	6,76
99,2	50,0 £	12,76	September 13	2015-09-13	96,59	13,21
154,0[4]		15,25	September 15	1987-09-15	99,75	15,32
46,0		15,75	September 15	2002-09-15	99,50	15,83
100,0		15,00	October 13	1987-10-13	100,00	15,00
60,0		14,00*	November 15	1992-11-15	100,00	13,54
124,0	100,0 U.S.	11,50*	December 1	1992-12-01	100,00	11,19
25,0		11,50	December 1	1985-09-30	100,00	11,50
40,5		9,50*	December 15	1992-12-15	81,01	12,55
188,5	151,8 U.S.	Miscella-neous	Miscella-neous	Miscella-neous	100,00	Miscella-neous
$2 352,9						

* Interest payable annually.

1 Canadian equivalent of face value on the date of borrowing for loans in foreign currency.

2 Interest payable semi-annually, except that marked with an asterisk, which is payable annually.

3 Yield to the buyer is determined on the basis of interest payable every six months.

4 The Caisse de dépôt et placement du Québec subscribed fully or partly for these bond issues.

N.B.: At March 31, 1983, Hydro-Québec had $500 000 000 U.S. and $500 000 000 available under credit agreements.